REVELSTOKE COMPANIES LTD.

ANNUAL REPORT 1979

What is Revelstoke

Revelstoke's most significant business consists of 104 stores located throughout western Canada, serving primarily "do-it-yourself" retail customers as well as tradesmen and builders. These stores are referred to as "home improvement centres" as each one represents a combination hardware store, lumber yard, home decorating centre, building material dealer, carpet store and supplier of electrical, plumbing and heating equipment. In essence, what were once lumber yards have now evolved into stores that offer one-stop shopping for customers wishing to complete any type of home building, decorating or repair project.

The Company is also in the business of producing redi-mix concrete with 21 plants in Alberta, Saskatchewan and British Columbia, and in the lumber manufacturing business with three mills in Alberta and one mill in British Columbia. The principal customers of the concrete plants are builders, government agencies, homeowners and farmers. While a majority of the lumber produced by the mills is either sold in Canada or exported to the United States, the mills also serve as a major source of supply for Revelstoke's own stores.

The Company's retail, concrete and lumber businesses are organized into three operating "Divisions" which are closely related to one another in terms of integrated management, common customers and inter-company sales. First and foremost, however, Revelstoke is an organization of men and women committed to attracting, satisfying and retaining customers who build for themselves and others. The existence and success of the Company is based upon its ability to excel in serving customers through having the best people available in the industry.

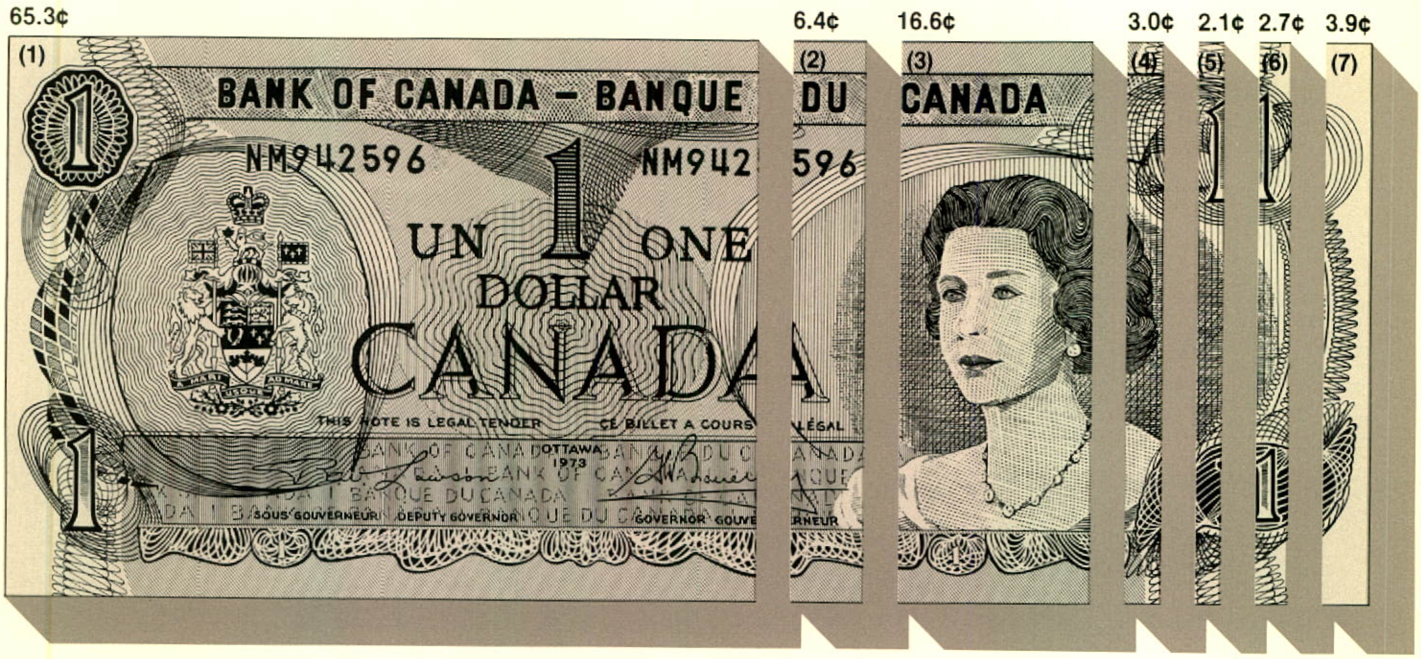
Theme of Annual Report

With the end of the 1970's and the start of a new decade, this annual report offers a longer term perspective than is usually the case. Entering the 1980's, we think that it is an appropriate time to stop and ask ourselves "what were the significant events in our business that affected Revelstoke in the 1970's" and "what trends and events are likely to influence our business in the 1980's." As the pace of change quickens, understanding the past and anticipating the future are critical to formulating a successful corporate strategy. While previous annual reports have primarily dealt with the prior year and the short-term outlook, this annual report provides a review of the last 10 years and contains management's assessment of what is likely to occur in the coming decade.

Two things about the 1980's are certain. Firstly, everyone is going to need a healthy sense of humor to survive. Accordingly, this annual report features cartoons drawn for Revelstoke by the well-known New Yorker cartoonist, George Booth. Secondly, Revelstoke's continued success is going to depend on serving and satisfying an increasing number of customers. The cover of the annual report shows the Company accomplishing this objective.

Breakdown of Every $1 of Sales

1. Cost of Merchandise and Materials
2. Selling, General and Administration Expenses
3. Wages, Salaries and Benefits
4. Interest Costs
5. Depreciation and Depletion of Equipment and Plant
6. Income Taxes
7. Net Earnings



Out of the 3.9¢ in net earnings from every $1 in sales, the Company paid to its common shareholders the equivalent of 0.6¢ in dividends in 1979.

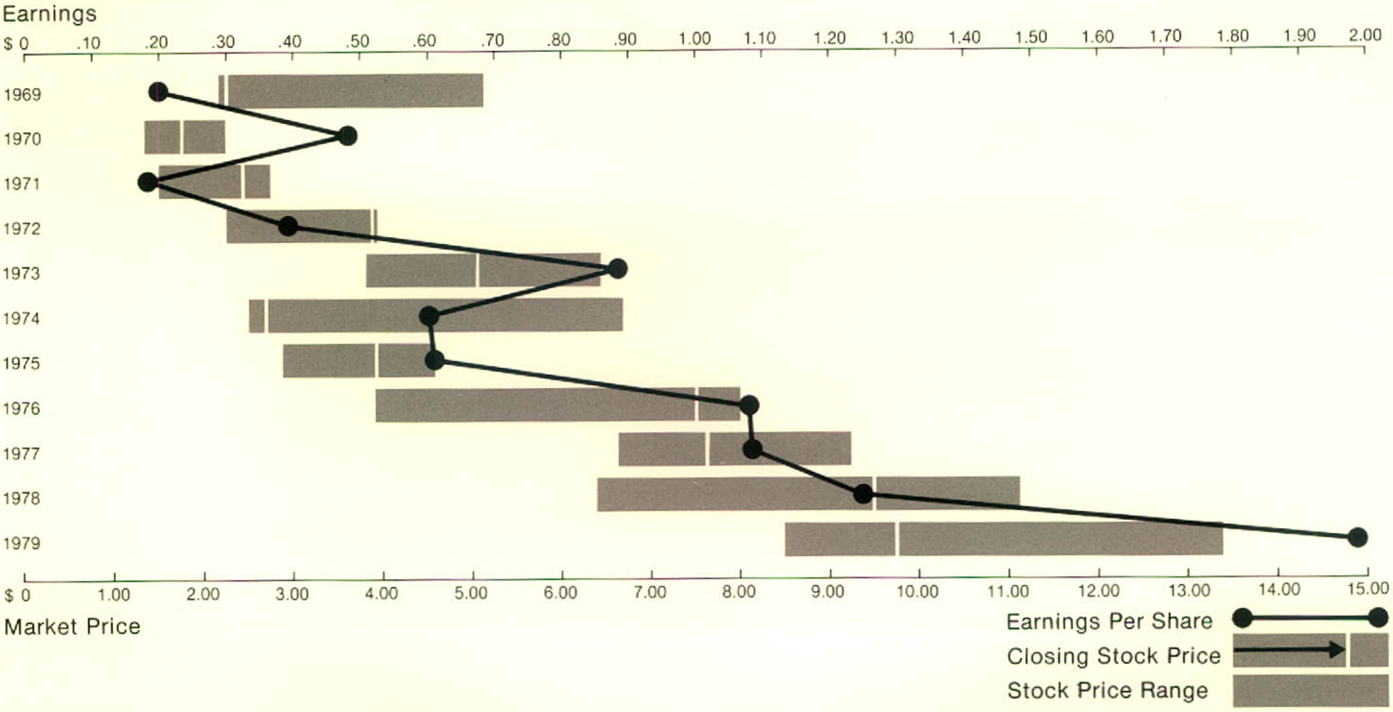
1979 At a Glance

For The Years Ended December 31	Change 1979 - 1978	1979	1978
Total Dollars:			
Sales	+ 15.8%	**$206,413,000**	$178,278,000
Pre-Tax Earnings	+ 65.3%	**$ 13,665,000**	$ 8,266,000
Income Taxes on Earnings	+ 69.6%	**$ 5,533,000**	$ 3,263,000
Net Earnings for Shareholders	+ 62.5%	**$ 8,132,000**	$ 5,003,000
Cash Flow	+ 31.8%	**$ 11,758,000**	$ 8,921,000
Common Share Dividends Paid	+ 50.5%	**$ 1,207,000**	$ 802,000
Earnings Retained & Reinvested	+ 66.7%	**$ 6,811,000**	$ 4,085,000
Capital Expenditures	+ 37.1%	**$ 12,096,000**	$ 8,823,000
Per Share:			
Sales	+ 14.9%	**$ 51.29**	$ 44.65
Earnings	+ 63.1%	**$ 1.99**	$ 1.22
Cash Flow	+ 30.9%	**$ 2.92**	$ 2.23
Common Dividends Paid	+ 50.0%	**$ 0.30**	$ 0.20
Earnings Retained & Reinvested	+ 65.7%	**$ 1.69**	$ 1.02
Performance Measurements:			
Asset Turnover (Sales ÷ Assets)		**2.16**	2.17
Return on Sales (Net Earnings ÷ Sales)		**x3.94%**	x2.81%
Return on Assets (Net Earnings ÷ Assets)		**= 8.50%**	= 6.10%
Leverage Factor (Assets ÷ Equity)		**x2.79**	x2.74
Return on Shareholders' Equity (Net Earnings ÷ Equity)		**= 23.71%**	= 16.73%

Earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year which were 4.024 million in 1979 and 3.993 million in 1978.

Performance measurements are calculated using the asset and shareholders' equity balances at the beginning of each year.

Stock Price and Earnings Per Share



The above figures have been adjusted to reflect the 2 for 1 stock split in June 1976 and the 3 for 1 stock split in October 1972.

President's Report

1979 Highlights

- **Total sales increased 15.8% to $206,413,000 compared with $178,278,000 in 1978.**
- **Earnings amounted to $8,132,000 or $1.99 per common share compared with $5,003,000 or $1.22 in the prior year.**
- **The 1979 earnings include an after tax gain of $788,000 or $.20 per share which arose from the sale of one of the Calgary store properties.**
- **The common shareholders received dividends of $.30 per share compared with $.20 per share in 1978.**
- **Revelstoke's principal business, retailing, accounted for 72.7% of sales compared with 20.2% for redi-mix concrete and 7.1% for lumber manufacturing.**
- **A substantial majority of sales and earnings continued to be generated by the Company's operations located throughout Alberta.**
- **Capital expenditures were $12,096,000 compared with $8,823,000 in the previous year.**

Review of the 1970's

For Revelstoke, the 1970's started with a whimper and ended with a bang. In 1970 the farm economy was depressed, high interest rates and tight money had greatly reduced construction activity and lumber prices were extremely low. At that time, the Company was in the same three businesses that it is in today — retailing, redi-mix concrete and lumber manufacturing. Fortunately, in July 1970, Revelstoke realized a substantial profit from the sale of its subsidiary, Kamloops Lumber Company Ltd.

In early 1971, the business climate began to improve for Revelstoke as western Canada benefited from record export grain sales, promising new developments in the oil industry and a sizable recovery in housing activity. With its head office in Calgary, the Company did the majority of its business in Alberta and was primarily dependent upon the rural markets for most of its retail and concrete operations.

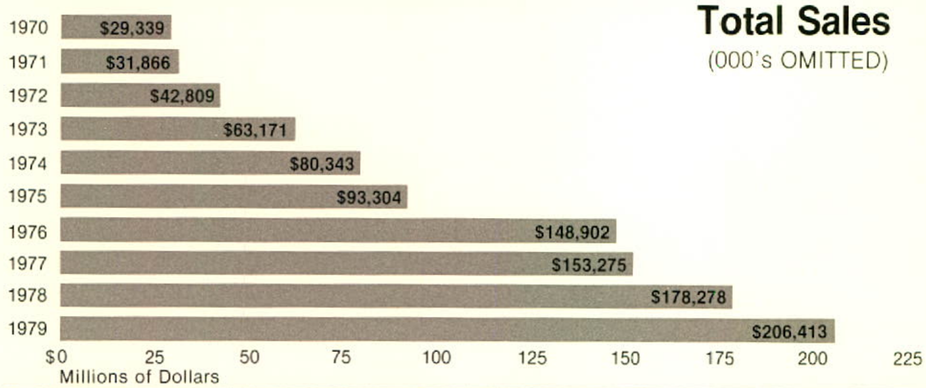
During December 1971, Revelstoke's senior management changed significantly as Brett Sine retired from the Presidency to become Chairman of the Company and Jake Glaum and Chuck Sine, former Vice Presidents, also retired. In conjunction with Venture Funding Corporation Limited acquiring a major ownership position in the Company, I became President and Gerry Berkhold joined Revelstoke as Vice President - Operations. With the considerable advantage of hindsight, the timing was superb. Earlier that year Peter Lougheed became Premier of Alberta and representatives of countries no one had ever heard of began meeting secretly in the Middle East to discuss the subject of oil pricing.

The 1971 Annual Report contained a list of the new management's corporate objectives. In addition to stressing high standards of performance and highlighting the need to be customer oriented, these objectives communicated the management philosophy of the Company to Revelstoke's employees, shareholders and suppliers. Of some note was the tenth corporate objective — "To Have Fun."

Both 1972 and 1973 were excellent years for Revelstoke as buoyant business conditions assisted the stores and concrete plants, and the Company's lumber mills generated earnings after two years of losses. Under the new management, Revelstoke embarked upon an aggressive expansion of its Retail Division with special emphasis on new merchandising programs directed at the emerging do-it-yourself home improvement market. During this period, new management and control systems were installed, an employee stock purchase plan was initiated and the Company completed a comprehensive corporate indentification program which included changing the name of Revelstoke Building Materials Limited to Revelstoke Companies Ltd. Meanwhile in a distant part of the world an event occurred which was to trigger a rather dramatic change in the long-term economic fortunes of Revelstoke's principal markets in western Canada. By the end of 1973, the OPEC cartel had succeeded in tripling the price of oil.

Revelstoke's performance in 1974 and 1975 was adversely affected by high interest rates, tight money and a drastic drop in lumber prices. Although the Company was pursuing a strategy of enlarging its retail business and thereby reducing its vulnerability to the cyclical lumber industry, nevertheless earnings suffered from substantial losses incurred

Total Sales
(000's OMITTED)



by the lumber mills. During these years, the Company began to experience the difficulties of coping with an inflationary environment as all operating costs began rising faster than sales.

In 1976, Revelstoke achieved a dramatic increase in sales with a corresponding rise in earnings despite another sizable loss in its lumber manufacturing business. The following year, the Company encountered a slowdown in business activity throughout western Canada and Revelstoke's earnings performance began to be adversely affected by the Federal Government's controls on profits. The Company's sales and earnings were basically flat in 1977 but resumed a reasonable rate of growth in 1978. Fortunately, the Federal Government's compensation and profit controls were terminated at the end of 1978 and Revelstoke was in a position to benefit from the strong business conditions which prevailed throughout 1979. Last year, all three of the Company's divisions achieved an improvement in performance as total sales increased 16%, earnings 63%, and earnings per share 63%.

The 1979 earnings included an after tax gain of $788,000, equivalent to $.20 per share, arising from the sale of one of the Calgary stores. This store had been closed earlier in the year at which time the operations were relocated to new premises.

In summary, over the past decade Revelstoke has become a sizable corporation as sales have grown from $29,000,000 in 1970 to over $206,000,000 in 1979. Earnings have shown a comparable increase from basically a break-even position in 1970 to over $8,000,000 last year. The Company has achieved this growth with only a minor amount of dilution for the shareholders. In addition, dividends have risen from $.065 per common share in 1970 to $.30 in 1979.

During this 10 year period, Revelstoke's total assets have increased from $22,000,000 to $103,000,000, shareholders' equity from $14,000,000 to $41,000,000, and working capital from $8,000,000 to $28,000,000. From 1970 to 1979, the Company spent $58,000,000 on capital expenditures with approximately 40% of these funds being allocated to Revelstoke's retail business.

Over the past 10 years, the Company has generated a total of $55,000,000 in cash flow and has raised $14,300,000 of debentures through two private placement financings. Throughout the 1970's, Revelstoke's banks have played an important role in supporting the Company's growth and development.

Revelstoke ended the decade in a strong financial position with modern, up-to-date facilities situated throughout those areas of western Canada most likely to benefit from future developments in the energy industry. Today, retailing constitutes almost three-quarters of the Company's sales with concrete accounting for 20% and lumber manufacturing for the remaining 7%. Most of Revelstoke's stores are ideally suited to capture a sizable share of the rapidly growing demand from do-it-yourself retail customers. Looking back at the last decade, one could say that we spent the last 10 years getting ready for the next 10 years.

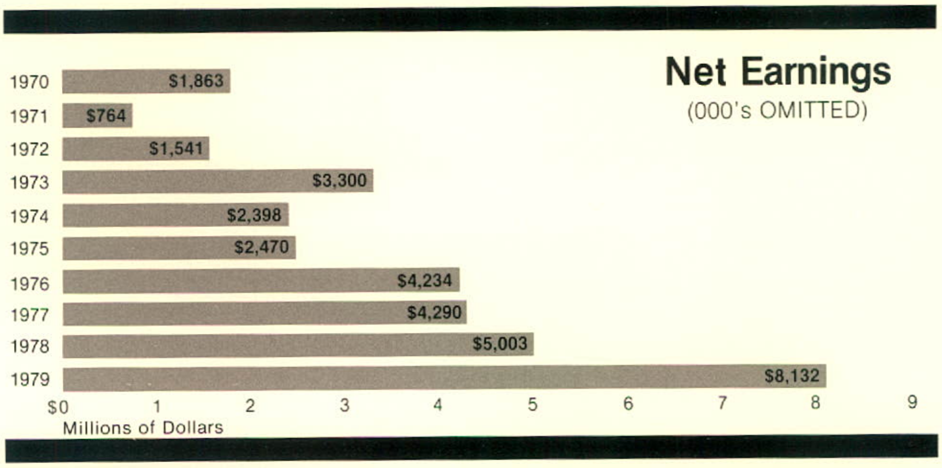
Outlook for the 1980's

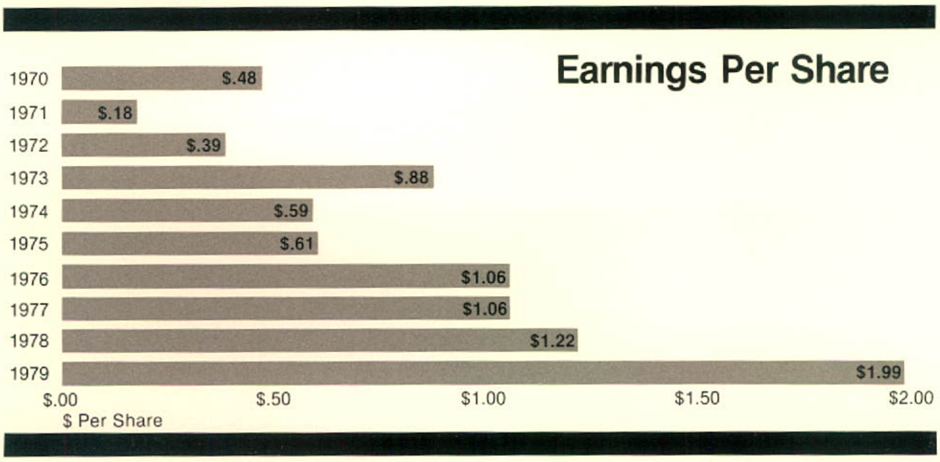
A critical part of every Chief Executive's job is to anticipate future change and to initiate the necessary steps today to place his or her enterprise in the best possible position 10 years from now. For retailers, strategic planning is especially important as they have to contend with an extremely dynamic competitive environment and each new store is essentially a 20 year decision.

Recognizing that to err is human and to forecast is divine, I believe the dominant factors influencing the 1980's for Canada will be as follows:

1. On the international scene, there are likely to be more and more political disruptions around the world. This will be heightened by the Russians taking advantage of their military edge over the U.S. in terms of both conventional forces and strategic weapons. Regretfully, detente appears to have been a fraud. While the American people and Congress appear to be waking up to this situation, it will take the U.S. and her allies at least five or six years to regain a military balance of power with Russia.

2. With respect to energy, despite some rude shocks, we North Americans seem to be unbelievably slow in realizing our awful vulnerability to disruptions in the supply of oil from fundamentally unstable regions of the world. The key energy question is changing from what is it going to cost to how secure is the supply? No one should be surprised if oil sells for $50 a barrel within three years. Couple further price rises with the uncertainty of supply and, despite the current political fumblings, within the next two years we are likely to see the start of a crash program in North America to achieve energy self-sufficiency. Throughout the 1980's, governments and private industry will form partnerships to accelerate the development of alternative energy sources to conventional non-frontier oil and gas.





3. Ironically, the uneasy international state of affairs and our energy predicament give me additional grounds for forecasting a strong economy throughout most of the 1980's in the U.S. and Canada. A high level of expenditures on plant and equipment, energy projects, military procurements and the development of new technology, in my opinion, will fuel fairly steady economic growth throughout the 1980's in North America. Despite attempts to promote trade elsewhere, I foresee that Canada's economy will become even more closely tied to the U.S. than has been the case in the past.

4. In comparison with the rest of Canada, Saskatchewan, Alberta and British Columbia are almost certain to experience substantial economic growth and above average prosperity throughout this decade. Central Canada is going to have to face some painful economic adjustments while conditions might dramatically improve in the Maritimes if their major offshore oil discoveries materialize. During the 1980's, the balance of economic and political power within Canada is going to continue to shift westward.

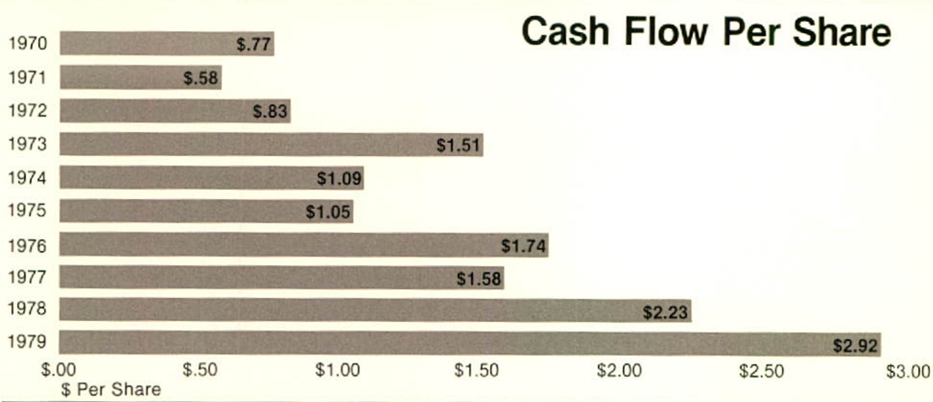
5. The toughest thing to predict in the 1980's is what is going to happen with inflation and interest rates. The bundle of complex forces that causes inflation, in my opinion, is likely to result in the overall rate of inflation averaging about 8% to 10% for the first half of the decade and then perhaps declining during the last half. If anything, this forecast is optimistic as it is difficult to see either the American or Canadian federal governments taking the necessary steps to rein in their spending or to stimulate a major increase in productivity on the part of private industry.

6. As interest rates are largely determined by the pace of inflation, business and consumers will have to live with a minimum bank borrowing rate averaging about 12% over the next five years and possibly decreasing to around 9% for the latter half of the 1980's. Even more serious is the likelihood of frequent periods of tight money conditions.

7. Turning to Canada's political scene, I sense that the general mood of the public is gradually shifting towards favoring a more conservative and responsible approach on the part of our governments. Recent developments provide grounds for greater optimism that Quebec and the rest of Canada will be able to reach some form of satisfactory accommodation without destroying Confederation. While it will not be an easy process, it is inevitable that the provinces will continue to increase their authority and rights at the expense of the Federal Government in the 1980's.

8. Shortages of commodities and raw materials are likely to be more frequent in the 1980's than ever before. Not only energy, but other commodities such as metals and grains will also go through periods of tight supply. By 1990, North Americans could become more alarmed about their water supply than about energy. Unquestionably, lumber will be much more difficult to obtain in the 1980's than in the past. Given the growth in demand by all types of users and the limitations on increasing production, lumber prices could triple over the next decade.

9. The most serious problem confronting business in the 1980's will be a shortage of well motivated and skilled employees of all types. This situation will be even more critical in western Canada where there will be virtually no unemployment and major energy projects will place severe pressures on the available supply of competent people. During the 1980's, women will become much more involved in sales and management, and all businesses will have to become much more resourceful at using part-time employees.



What all this means is that the 1980's could be characterized as "the more with less decade" for everyone — consumers, business and governments. All of us are going to be under constant pressure to achieve more output with less input, to produce greater results with fewer resources. Given this situation, we will no longer be able to afford to waste anything, whether it be the efforts of the people working for us, the capital we use in our business, or the materials consumed in manufacturing the products we sell.

Most business success stories in the 1980's will feature companies that excel in managing people and managing information. These companies will devote a great deal of attention to recruiting, screening, training, developing and motivating their employees at all levels. They will also be leaders in utilizing new communications and information processing technology to automate most routine clerical functions, to make a substantial reduction in the use of printed materials and paperwork, and to speed up and improve internal communications. Industry's answer to further deterioration in the government's mail service will be to eliminate the need for it.

While the economic and political environment of the 1980's is going to be challenging, Revelstoke's three divisions are in an excellent position to take advantage of the likely future growth in demand for their products and for the markets they serve. Subsequent sections of this annual report review the past 10 years and comment on the outlook for the 1980's with respect to each of the Company's three divisions.

Our People

Revelstoke's success in the last decade was based on the accomplishments of many talented people working in the Company's stores, plants, mills and head office. As the cover of the 1976 Annual Report stated, "it takes a great orchestra to produce results like Revelstoke."

The ability of the Company to capitalize on the substantial opportunities for profitable growth in the 1980's will again depend on the commitment and drive of our people. While Revelstoke's financial resources are important, in the final analysis the Company's continued success depends upon satisfying our customers' needs in countless transactions across western Canada every day. The products Revelstoke sells are not unique so we have to rely on having the best people in our business to give customers the best possible service.

In an age of growing corporate anonymity and alienation, management's most important task will continue to be instilling our people with a special brand of Revy enthusiasm and spirit. Despite our increasing size, we have absolutely no interest in becoming a bureaucracy and we intend to remain constantly on guard to fight against any tendency to become one in the future. No one working at Revelstoke is just a number and every position contributes to the overall performance of the Company. We also will continue to strive to avoid a "we and they" attitude between our employees and management or the shareholders. Basically, we are all in partnership together and that means working closely with one another and sharing in the benefits of Revelstoke's success.

In 1973, Revelstoke initiated an Employee Savings and Stock Purchase Plan, giving salaried employees the opportunity to purchase the Company's common shares on a basis whereby for every $2 an employee contributes to the plan, the Company contributes $1. The plan is administered by a Trust Company which purchases the shares through the Toronto Stock Exchange. The purpose of the plan is to encourage as many employees as possible to become shareholders of the Company and thereby gain further benefits from the future success of Revelstoke. Approximately 50% of all eligible salaried employees are currently participating in the plan.

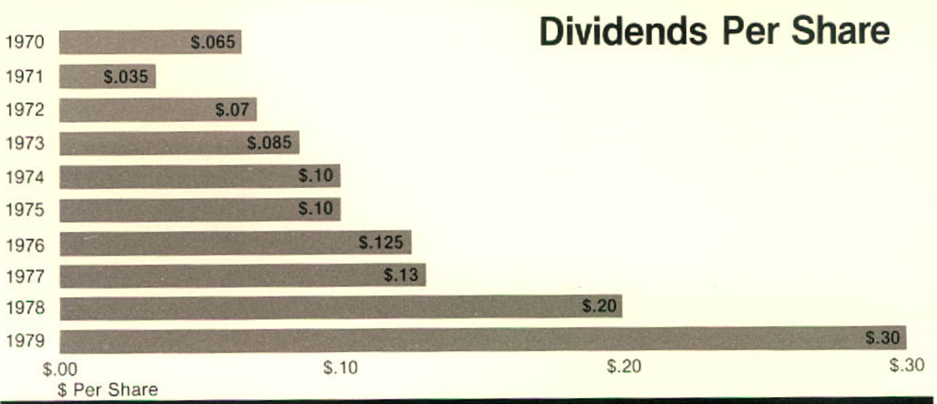
Inflation

Starting in the mid 1970's, Revelstoke confronted the same challenge faced by most other Canadian corporations as practically all operating costs escalated rapidly while selling prices were restrained by competition. Over the last two years, interest charges also rose dramatically with the result that the Company's profit margins have been under increasing pressure.

As the Retail Division constitutes almost three-quarters of Revelstoke's total sales, we closely monitor the overall rate of price increase in the products sold by the stores. This is accomplished through a computer model which tracks the price changes in a representative selection of our merchandise. During 1979, we estimate that our retail business experienced an average increase in the price of the goods sold of approximately 5.9% compared with a rise in Canada's Consumer Price Index of 9.8% for the same period. In 1978, the increase in the price of the merchandise sold by the Company was 9.5% compared with an advance in the CPI of 9.4%.

While Revelstoke's Lumber Division benefited from an increase of 20.4% in the price of the lumber it sold during 1979, in the last two months prices had dropped below those prevailing a year earlier. This reflects the commodity nature of lumber prices and their dependence on world-wide supply and demand.

The most significant impact of inflation on the Company's assets in the 1970's was a substantial increase in the value of the real estate owned by Revelstoke, especially in Alberta. Unlike most other retailers, the Company has retained the ownership to over 85% of its stores as well as most of the properties used by the Concrete and Lumber Divisions. Management estimates that the market value of Revelstoke's real estate is at least $25,000,000 higher than its stated book value at the end of 1979.



Other Corporate Matters

The Company's Directors approved an increase in the semi-annual dividend paid on April 1, 1980 to $.17 per common share compared with the previous semi-annual dividend of $.15 per share paid last October 1. At a Board Meeting last March 13, the Directors approved filing a notice with the Toronto Stock Exchange of Revelstoke's intention to purchase up to 1% of the Company's common shares each month over the period of a year commencing in May of 1980. These purchases will be made through the Toronto Stock Exchange at the prevailing market price. Revelstoke has reserved the right, however, to terminate these purchases at any time without having to give any further notice of its intent to do so. This decision was prompted by the low market price of the Company's shares in relation to their underlying net asset value and by the desire of the Directors to minimize any future dilution which may arise from issuing additional shares currently reserved for the employee stock purchase plan.

At the forthcoming general and special shareholders' meeting on May 15, Revelstoke's shareholders will be asked to approve the creation of a new class of preferred shares with a total par value of $100,000,000. The purpose of authorizing these preferred shares at this time is to provide the Comany with some flexibility in the financing of its future activities, including any possible acquisitions which may occur.

On behalf of the Board of Directors and Revelstoke's shareholders, I want to thank our employees for all of their efforts and dedication during 1979. In turn, everyone in the Company wishes to thank our customers, suppliers and friends for their support throughout the past year.

Given the current unsettled economic and political conditions, the year 1980 will provide all businessmen with a severe test of their capability and patience. For Revelstoke, the next six months in particular will be like dancing with a grumpy grizzly bear — as the music slows down, the bear is bound to smack you. Nevertheless, we remain confident of our ability to operate successfully in this difficult environment.

Steele Curry

March 13, 1980

Steele Curry
President

"What is your Company going to look like in 1990?"

The following is an excerpt from a speech given by Revelstoke's President, Steele Curry, at the 1980 National Home Center Home Improvement Congress and Exposition in Dallas on March 4, 1980:

All of us are extremely fortunate to be participating in the do-it-yourself home improvement industry. Over the next decade, changes in life styles, demographic trends, increased leisure time, further rises in energy costs — these dominant factors will virtually guarantee a tremendous growth in demand for every sector of our business. Yes, we are in the right industry but the key question is — who is going to be able to convert all this opportunity into a worthwhile return on investment? Which of our companies are going to be the big "bottom line" winners in the 80's?

To answer that question I was fortunate to come across an investment report by a large, well-known Wall Street firm, recommending to its clients that they buy the shares of a highly successful retailer in our business. The date of this report is February 4, 1990.

The analyst who wrote this report has just returned from visiting the company and has listed the 10 most critical factors that have enabled this retailer to outperform everyone else in the industry. Here are his 10 key points:

1. This company operates an item POS (point of sale) inventory and sales management system that maintains an extremely high in-stock position, avoids excessive inventory levels, identifies slow moving products, and monitors GMROI (gross margin return on investment) by item. This system also allows the company to forecast the demand for its most important products so that it can order in volume and avoid shortages of merchandise.

2. This company has developed superior programs for recruiting, screening, training and motivating its employees at all levels. These programs stress positive employee attitudes and are also designed to attract a high proportion of both full-time female employees and part-time help. Over one-quarter of the company's shares are owned by its employees.

3. This company has a low operating and overhead cost structure relative to its volume of business. In addition, the company has taken the necessary steps to minimize its shrinkage from all sources.

4. This company is an industry leader in merchandising and in particular possesses impressive expertise in buying, handling and selling lumber and building material products.

5. This company has done an excellent job in largely eliminating the need for paperwork and the post office in running its business. The company's management information systems are on-line and almost all communications between head office and the stores take place through two-way electronic video equipment.

6. This company has developed comprehensive techniques for measuring productivity and the key performance variables applicable to all aspects of its business. Everyone in the company is involved in productivity improvement programs.

7. This company takes a segmented marketing approach in its advertising, merchandising and promotion programs in order to appeal to individual customer groups. The company uses the findings of its extensive consumer research to guide these programs.

8. This company places great emphasis on its management development and training programs for the key people in both its stores and head office.

9. This company is committed to participatory decision making whereby employees at all levels are strongly encouraged to become involved in determining how the company can maximize its performance.

10. This company has developed a strong consumer franchise through having a highly competitive price image, category dominance in certain key product lines, well planned assortments, creative advertising, and personalized customer service for products not sold on a self-service basis.

The name of the company at the top of this report is blurred. Each of us should ask ourselves what is our company going to look like in 1990? I assure you that this is the way I want Revelstoke to be described in 1990.

Our Retail Business

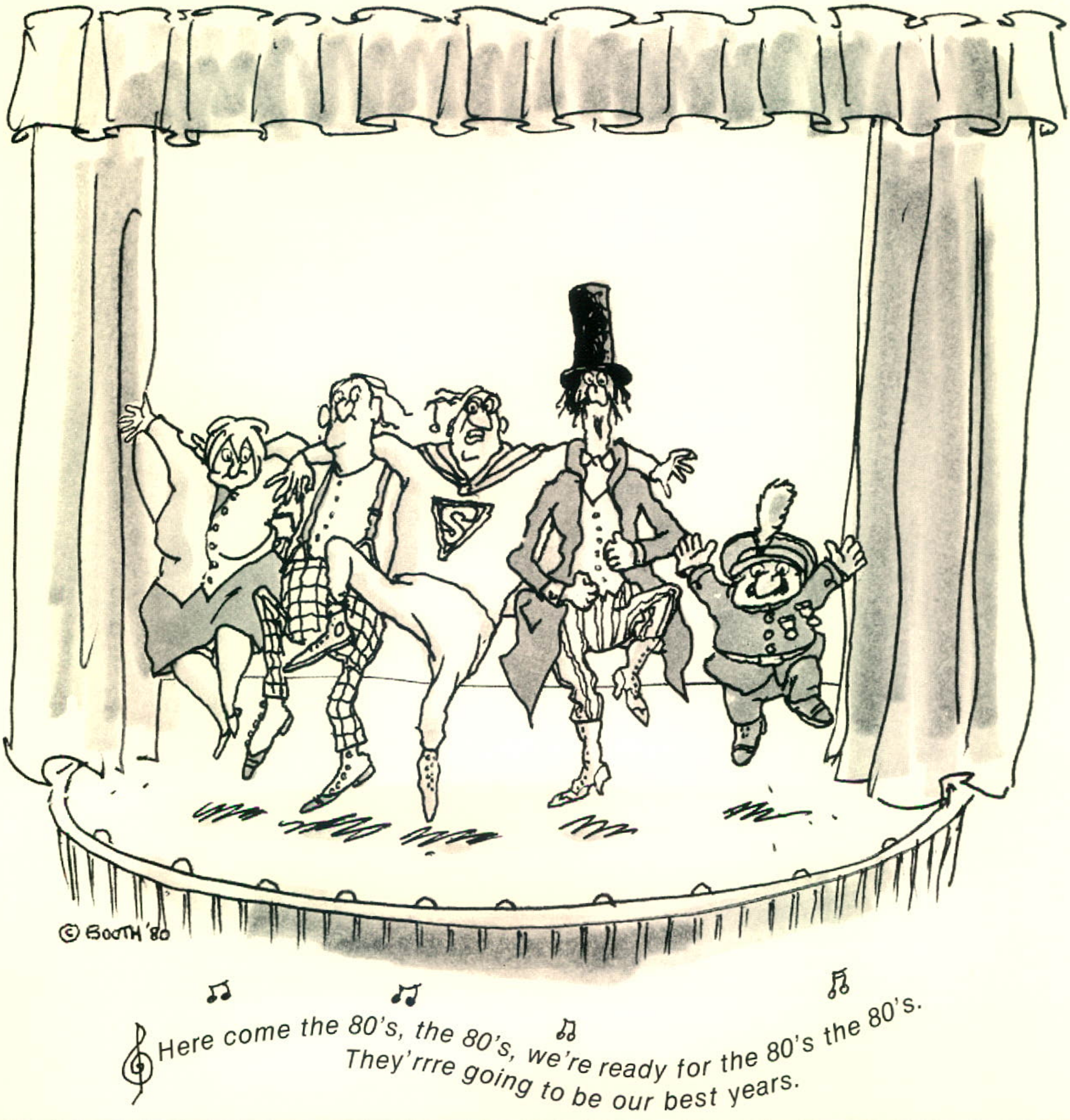
1979 Highlights

- The Retail Division's sales increased by 14.5% to $150,006,000 compared with $130,992,000 in 1978. Most of the increase in sales was recorded by the Alberta and British Columbia stores.

- The Retail Division achieved a considerable increase in earnings compared with the prior year, largely as a result of higher gross margins.

- New stores were opened in North Calgary, South Calgary, South Edmonton and Olds, Alberta. Three of these new stores replaced outdated facilities in those markets. In addition, Revelstoke acquired existing stores in Drayton Valley and Fort McMurray, Alberta and completely renovated these two outlets.

- The Retail Division incurred capital expenditures of $4,407,000 compared with $3,641,000 in the previous year. Two of the large stores opened in 1979 were leased.



Description of Business

Revelstoke's Retail Division consists of 104 stores located throughout western Canada with 56 in Alberta, 24 in Saskatchewan, 13 in British Columbia and 11 in Manitoba. These stores are generally referred to as "home improvement centres" and carry a complete selection of lumber products, paneling, building materials, tools, paint, wallpaper, carpeting, hardware, kitchen cabinets, electrical supplies, plumbing products and heating equipment. The Company also sells farm buildings and manufactured houses which are marketed under the name "Revelstoke Homes." Last year the Retail Division accounted for 72.7% of Revelstoke's total sales compared with 73.5% in 1978.

Each of the Company's home improvement centres serves both do-it-yourself customers and professional buyers. Revelstoke's retail customers are homeowners, apartment dwellers, farmers and ranchers. The professional buyers include builders, tradesmen, local industries, institutions and municipalities. In 1979 approximately 60% of the Retail Division's sales were to retail customers and 40% to builders, tradesmen, industrial and institutional customers. This customer profile varies, however, from store to store.

Each of the Company's stores offers one-stop shopping to homeowners and contractors wishing to purchase all of the items required for any type of home building, decorating or repair project. In order to do an effective job of selling their products, these stores all have a showroom, warehouse facilities and outside storage space sufficient to stock a broad assortment of lumber, building materials and other home improvement products. Consequently, Revelstoke's stores are generally free-standing units as opposed to being located within shopping centres. The land and buildings at over 85% of the stores are owned by the Company.

Review of the 1970's

For Revelstoke's retail business, the 1970's can only be described as a quasi-revolution. In the last 10 years, Canadian retailers of building materials went through the same magnitude of evolution that occurred in the supermarket business over a period of 30 years. As is the case with every revolution, it is taking a while for things to settle down and for the participants to determine who are going to be the winners and losers.

During the last ten years, the Company's Retail Division grew in sales from \$20,835,000 to \$150,006,000 which amounts to an annual compound rate of growth of 21.8%. During the same period, the average yearly sales per store increased from \$180,000 to \$1,429,000. While the absolute increase in the Division's earnings over the last 10 years was also impressive, profit

"We bought everything at Revelstoke"

margins in the last half of the 1970's were generally lower than those in the first half.

At the beginning of the decade, Revelstoke operated 109 retail outlets with 48 in Alberta, 41 in Saskatchewan, 18 in Manitoba and two in British Columbia. In the past 10 years, the Company has built 36 new stores, acquired 23 stores, and completed expansions or major renovations at 46 stores. Some of the purchased outlets were subsequently expanded or relocated into new store premises. Since 1970 Revelstoke has closed 38 stores which were mostly located in small communities with little growth potential. Over the last 10 years, the Retail Division's capital expenditures were $22,295,000.

Starting in 1972, the Company began an aggressive program to expand its retail business. This involved the implementation of a wide range of new programs concerning advertising, store decor and design, promotion activities, merchandising methods, additional product lines, sales contests, and employee training. These programs completely changed the character of Revelstoke's stores and succeeded in capturing a sizable share of the retail building material and home improvement market in western Canada for the Company.

Early in the 1970's, a number of other Canadian companies in the industry also began to make sweeping changes in their approach to this retail business. Like Revelstoke, most of the chains adopted new methods of merchandising and experimented with different store formats and sizes. By the mid 1970's, the larger chains were operating their own distribution centres and were buying a great deal of their merchandise on a direct basis. Most of the smaller independent retailers reacted to this situation by forming or joining large buying groups.

The acceleration of inflation in the 1970's stimulated a tremendous growth in the retail do-it-yourself market. As the discretionary income of homeowners began to be squeezed by the rise in their cost of living, they started saving money by doing their own home improvement projects. This trend was reinforced by the dramatic rise in the wages of tradesmen and by their scarcity. With the price of land and new housing steadily escalating, more and more homeowners decided to expand or fix up their existing homes as opposed to buying a new home.

In the latter half of the 1970's, the increase in oil prices caused a change in life styles as people began spending more time at home and less time in their automobiles. To reduce their fuel bills, homeowners also became much more energy conservation conscious.

Retailers responded to this growth in demand by opening a proliferation of stores catering to the do-it-yourself market, by extending store hours and by launching aggressive advertising and promotion campaigns. The companies in the best position to provide one-stop shopping for the do-it-yourself customer were the retail building material and lumber chains, such as Revelstoke. These firms enlarged their stores and began offering consumers everything they needed to complete most home building, remodelling or repair projects. As the do-it-yourself trend continued, homeowners tackled increasingly difficult jobs which, in the latter half of the 1970's, started to include electrical, plumbing and heating projects.

Manufacturers gradually realized the enormous potential of this market and began to introduce a multitude of new products specifically aimed at the do-it-yourself customer. The more aggressive companies launched marketing programs to stimulate further demand through national advertising, attractive packaging complete with do-it-yourself instructions, and in-store product demonstrations. Where formerly certain items were only sold in a limited number of basic colors or styles to the professional customer, manufacturers started to offer a much wider assortment of attractively designed products for this market.

Prior to the 1970's, articles and information for the do-it-yourself customer were largely confined to Popular Mechanics magazine. Today, do-it-yourself literature is one of the most flourishing parts of the publishing industry and stores of all types sell magazines, books and cassettes containing instructions for every conceivable home improvement, decorating or repair project.

Retail Division Sales
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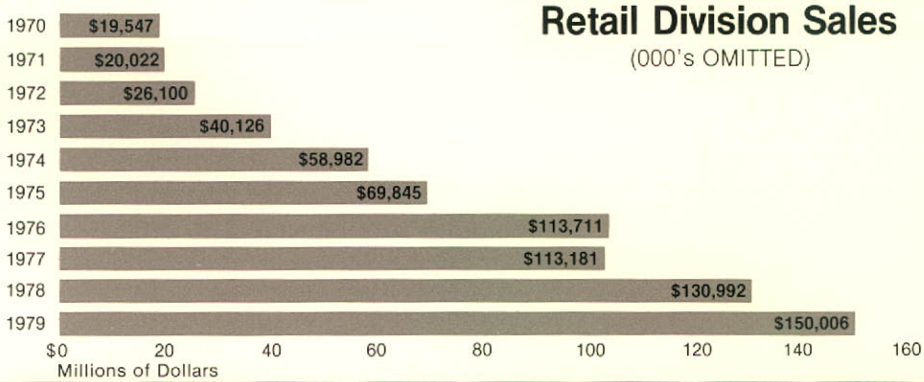


One of the most significant changes in this business in the 1970's was the increasing involvement of women in the buying decision of what formerly were strictly male oriented products. This prompted retailers of building materials and home improvement merchandise to redesign their stores to appeal to women shoppers and to change many of their selling methods. The importance of the female market grew throughout the decade as more and more women entered the work force. By the end of the 1970's, a large proportion of do-it-yourself customers were from two income households.

The do-it-yourself movement affected both rural and urban markets. While farmers and other rural customers have always been more adept at doing their own building projects, the shortage of tradesmen in many areas caused these consumers to undertake more major projects themselves. In addition, building material chains and other companies began aggressively promoting the sale of prefabricated homes throughout the rural regions of western Canada. To a large extent, these homes were directed at the "sweat equity" market whereby purchasers could save considerable money by finishing their homes themselves.

As the size of the do-it-yourself market increased, the competitive environment became much more intense with the building material retailers, specialty stores and mass merchandisers all battling for a bigger share of the available business. To combat inroads by discount department stores and other large retailers, the existing retail building material companies such as Revelstoke adopted many of their new competitors' mass merchandising techniques including aggressive advertising campaigns, promotional pricing and self-serve "stack it high" store displays.

By the end of the 1970's, the building material and home improvement business had become an extremely large component of the retail industry.

While precise statistics are unavailable, it is estimated that in 1979 the total Canadian retail sales, by all types of outlets, of the products carried by Revelstoke's stores were well in excess of $6 billion.

Apart from being a major participant in the emerging do-it-yourself business, Revelstoke's Retail Division also benefited in the 1970's from the exceptional growth and prosperity which occurred in its primary market areas. For people living outside of western Canada, there is a tendency to think that most of the growth arising from the boom in Canada's oil and gas business has occurred in Calgary and Edmonton. In actual fact, the upsurge in population and business activity has been just as dramatic in practically all of the towns and communities within what I term as Canada's "energy belt," namely all of Alberta, eastern British Columbia and western Saskatchewan. Over the last 10 years, Revelstoke's Retail Division has concentrated on achieving virtually total coverage of this dynamic market. Today, over three-quarters of the Company's 104 stores are situated within Canada's energy belt.

Outlook for the 1980's

The same factors that propelled the development of the do-it-yourself home improvement market in the 1970's are going to be even stronger in the coming decade. From every standpoint, this will continue to be one of the fastest growing sectors of retailing throughout the 1980's in North America. The leading retailers in this business should also be able to boost their growth rates by taking advantage of the highly fragmented nature of this industry through increasing their market share.

Looking at demographic trends, the fastest growing population group in the 1980's will be persons between the ages of 35 to 44, followed by the 25 to 34 age group. Consumers in these age groups represent the prime growth market, in terms of spending habits and income, for do-it-yourself retailers. This decade will also see a further rise in the number of two income households, households headed by single men or single women, and the proportion of women in the work force.

The dominant change in life styles in the 1980's will be that individuals will spend much more time at home, both enjoying their leisure time and even working. While this will be partly a result of the large increase in automobile and other transportation costs, consumers will likely engage in a greater number of individualistic and creative activities that revolve around their homes, such as gourmet cooking, home arts and crafts, and do-it-yourself projects. By the end of the decade, most households will have their own combination home entertainment and computer centres which will further reinforce the tendency of consumers to stay at home and work at home.

Continuing inflation will also ensure that owning one's home remains the best investment for consumers. While high land costs will force a greater number of people to live in apartments, townhouses and attached dwellings, condominium type ownership of these residences will definitely increase.

To reach these busy, working, more mature and better educated consumers, retailers will have to adopt a more segmented approach in their advertising programs. Hard sell, multi-item advertising will more frequently be replaced by creative ads aimed at a specific target audience and focused on an individual, major, do-it-yourself home remodeling or expansion project. Consumers also will pay more attention to the quality and value they are receiving for their expenditures.

The home improvement merchandise lines experiencing the greatest growth in sales over the next 10 years will likely be lumber and wood related products, decorative products, energy conservation products, plumbing and electrical. Many related products will be sold in "easy to install" kits or on a pre-assembled basis. Manufacturers will also offer a much greater number of different colors, styles and designs in the merchandise used to remodel bathrooms and kitchens.

Most retailers of do-it-yourself merchandise, such as Revelstoke will place greater emphasis on improving the productivity of their existing stores, people and other resources as opposed to achieving growth primarily by adding more of everything as was the case in the 1970's. Companies in this business will take advantage of more advanced computer and communications technology in controlling and running their operations. By the end of the decade, almost all home improvement retailers will probably be utilizing in-store electronic terminals to capture item sales information, order their merchandise, look after their payroll and control their customer credit. To facilitate inventory management, gradually all of the merchandise sold by these stores will be covered by a universal product code similar to that being currently used in the supermarket industry.

In most regions, retailers are going to face a shortage of competent, well motivated employees. Companies will have to devote far more resources and management time to training and communicating with their employees. During the 1980's, more women will become involved in management and sales in the retail home improvement business. As store hours are extended, stores will also have to use a much higher proportion of part-time employees.

Controlling distribution costs will become increasingly important for retailers in the 1980's as transportation costs soar. Most chains will resort to more buying on a direct basis and will operate their own extensive central warehousing facilities. With interest rates likely to remain at relatively high levels, retailers will be under considerable pressure to improve their inventory management and turnover.

In both rural and urban areas, competition will be heated as all types of retailers attempt to capitalize on the burgeoning do-it-yourself market. There will, however, be certain barriers to companies wishing to enter this business from the standpoint of lacking expertise in handling the important commodity products, namely lumber and building materials. In addition, high construction and land costs will probably inhibit retailers from building new stores when they will have to compete with companies whose stores are already well established in that market.

During the 1980's, resource based Alberta, British Columbia and Saskatchewan will continue to represent the fastest growing part of the country. Within these markets, growth in population, consumer spending and new housing will be considerably above the rest of not just Canada but also most parts of the United States.

Revelstoke's Retail Division is ideally situated to take advantage of the future demand for building materials and home improvement products in the high growth regions of western Canada. Although the competitive environment will be intense, our Company possesses the financial and management resources to remain a dominant factor in this dynamic business throughout the 1980's. At some future point in time, Revelstoke may expand its Retail Division into other major markets outside of western Canada.

Our Concrete Business

1979 Highlights

- The Concrete Division's sales increased 22.2% to $41,791,000 compared with $34,185,000 in 1978.
- Excluding materials supplied to the Company's own concrete plants, Revelstoke's sand and gravel operations accounted for 10.9% of the Division's total sales.
- Despite costly strikes at several of the large concrete plants, the Concrete Division achieved a reasonable increase in earnings compared with the previous year.
- Capital expenditures in the Concrete Division were $3,320,000 including $1,664,000 of mobile equipment purchases which were lease financed. This compares with capital expenditures of $2,287,000 in the prior year of which $1,198,000 were lease financed.

"The recipe for concrete madam, is you take a bit of cement, you add a dash of sand and gravel..."

Description of Business

The Concrete Division consists of 21 redi-mix concrete plants, 15 situated in Alberta, four in Saskatchewan and two in British Columbia. Revelstoke also operates sand and gravel deposits at six of these plants to supply its own needs as well as to sell to other customers. The Concrete Division represented 20.2% of the Company's total sales in 1979 compared with 19.2% in the previous year. At the end of 1979, the Division had a fleet of 191 mixer trucks.

Revelstoke's plants service a substantial number of customers in a variety of different types and sizes of markets. Consequently, none of the plants are dependent upon a continuing supply of large projects or a limited number of major customers to ensure a satisfactory level of operations. The Company's local manager at 13 of the 21 plants is also responsible for Revelstoke's retail business in the same community. This joint management is an advantage for the Company in supplying all of the materials required for almost any building project in those markets.

Every plant has a batch plant, a fleet of concrete mixer trucks and facilities for the storage of cement, sand, gravel aggregates and other additives. The batch plant contains the necessary equipment for the controlled measurement and mixing of the ingredients involved in making concrete. The larger plants also have their own garages for maintaining and repairing trucks.

Review of the 1970's

Over the last decade, Revelstoke's Concrete Division has increased its sales from $7,307,000 to $41,791,000, which represents a compound annual rate of growth of 19.1%. During this period, the average annual sales per concrete plant have risen from $348,000 to $1,990,000. Throughout the 1970's, the Division's earnings have kept pace with the impressive growth in sales. From 1970 to 1979, the Concrete Division's capital expenditures were $18,594,000, including certain mobile equipment which was lease financed.

At the beginning of the 1970's, the Company operated 18 concrete plants and was only involved in the sand and gravel business on a limited scale. In 1971 Revelstoke started a concrete plant in the Edmonton market and in 1972 the plant in Dauphin, Manitoba was sold. In 1975 the Company acquired a concrete plant in Camrose, Alberta and took steps to expand its sand and gravel operations in both Alberta and Saskatchewan. During 1977 Revelstoke purchased a concrete plant at Claresholm, Alberta and in 1978 opened a plant in Leduc, Alberta.

Since the beginning of 1970, the Company has spent a considerable amount on upgrading the equipment and

"We're ready for the competition in the 80's"

physical facilities of its Concrete Division. Almost all of the plants have increased their cement storage facilities, installed fly ash silos and improved their batching and heating equipment. In addition, 12 of the plants now operate their own garage and truck maintenance facilities. During the 1970's, Revelstoke replaced its gas powered 5-6 cubic yard mixer trucks with diesel trucks having 8 cubic yard mixers.

By the mid 1970's it became apparent that there were major advantages for our concrete plants in having their own source of sand and gravel. Consequently, the Company significantly expanded its involvement in the sand and gravel business, thereby providing a number of the plants with an assured supply of good quality materials. Apart from looking after Revelstoke's own requirements, the sand and gravel operations also sell to customers outside of the Company.

The concrete industry in western Canada has experienced a phenomenal increase in all its costs of doing business during the 1970's. Every cost component in producing and delivering concrete has risen by at least 2½ to 3 times in the last decade. This includes the price of cement and aggregates, trucks and equipment parts, fuel and utility costs, and the wages of drivers and mechanics.

In the first half of the 1970's, concrete plant operators were generally able to secure price increases to cover their rising costs. During the latter half of the decade, a large number of new redi-mix concrete firms started up in western Canada, particularly in Alberta and in other large and small markets affected by the energy business. This has created intense competition and has acted to hold down price increases despite continual rises in the industry's costs.

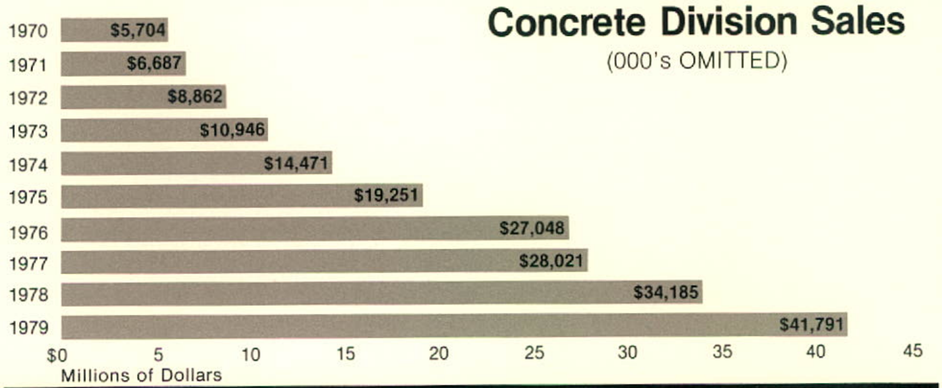
For most of the 1970's, the concrete business has not experienced a significant change in its technology nor in the ingredients comprising concrete. While sulphurcrete began to be used in producing some non-structural concrete products, it is still not a major factor. In the 1970's, concrete plant operators devoted more attention than in the past to environmental concerns, including air pollution and the disposal of waste materials.

During the last decade, the market for concrete expanded considerably with an increasing amount being used for precast concrete building components of all types. On the other hand, in the latter part of the 1970's pressure treated wood basements began to be used for houses in certain parts of western Canada in place of concrete foundations.

Outlook for the 1980's

Considering the excellent outlook for construction activity in most of the markets currently served by Revelstoke's plants, the Concrete Division should experience steady growth throughout most of the 1980's. All of the plants will, however, have to contend with aggressive competition in each local market and with higher costs, especially those relating to the use of energy in transportation, producing cement, and operating the plants.

This summer the Company is opening a second concrete plant to serve the Edmonton market and, over the next three years, is likely to open two or three additional plants within Alberta, including a second plant in Calgary.



Concrete Division Sales
(000's OMITTED)

During the 1980's, Revelstoke is also likely to expand its sand and gravel operations in order to do a better job of supplying the Company's own requirements.

In the future, both the concrete and the sand and gravel business is going to become much more capital intensive as equipment increases in size and becomes more expensive. At the same time, the industry is likely to experience much greater technological change in the 1980's than in the last decade. This will occur as operators are forced to improve their utilization of equipment, labor and materials. Truck sizes will also increase and fuel consumption will improve through the use of more advanced engines. Ultimately, mini-computers will likely be extensively utilized in the running of concrete plants.

During the 1980's, the larger companies in the concrete industry are going to have to become much more skillful in their union negotiations. Too often in the past, settlements have been hastily concluded without sufficient consideration of their long-term inflationary consequences. The days of being able to pass every cost increase on to ones' customers are over.

The overall consumption of concrete in Revelstoke's larger markets will increase as a greater number of high-rise residential and commercial buildings are constructed in the 1980's. Concrete will also be used more often as an alternative to asphalt in paving. Given the likelihood of substantial future rises in lumber prices, there is some question whether wood basements will make further inroads on concrete sales.

To a certain extent, the materials used in producing concrete will change in the 1980's. Fly ash will be more frequently substituted for cement to lower material costs. The industry will also make more extensive use of chemical additives to increase concrete strengths and again to reduce material costs.

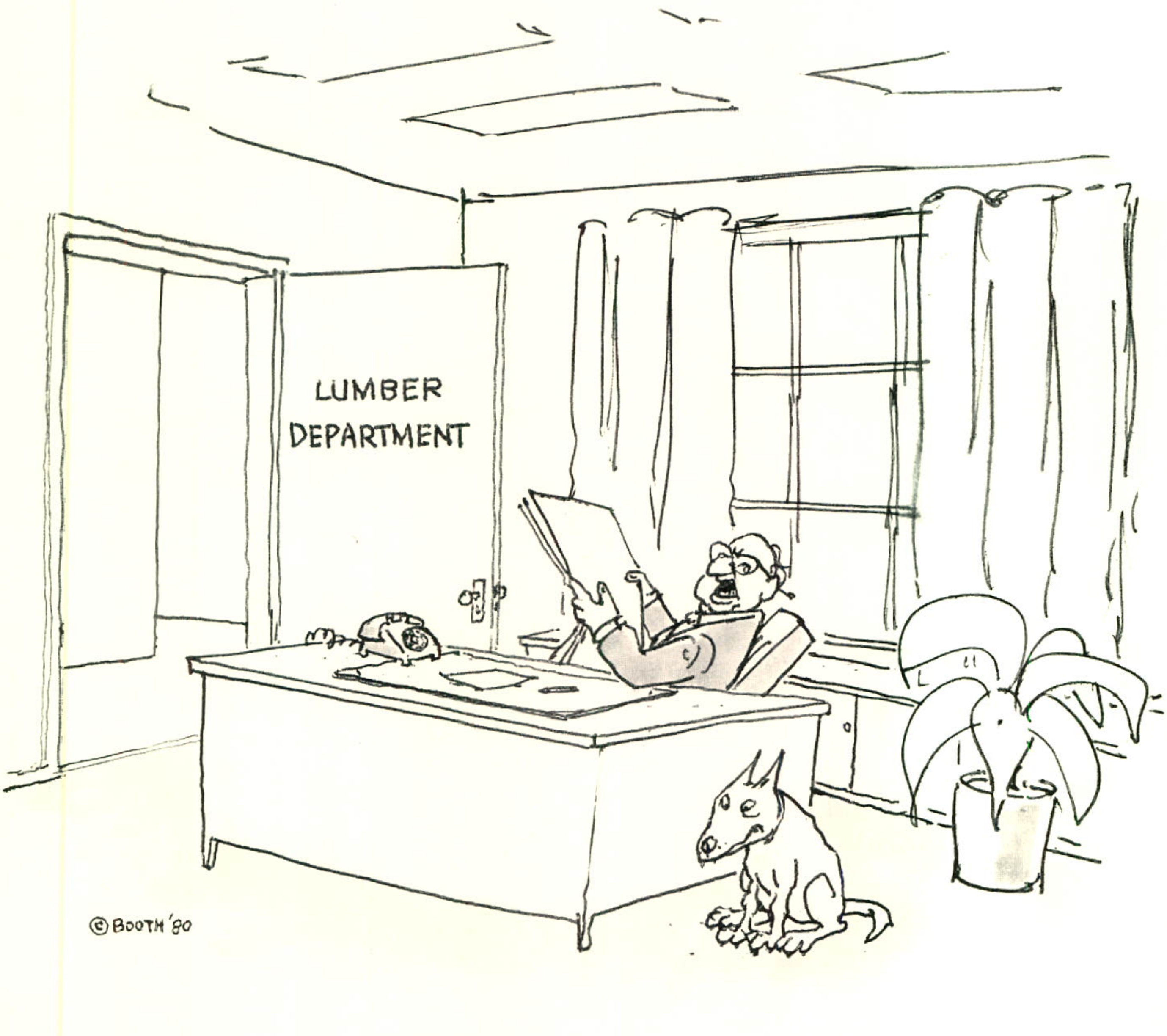
For most of the 1980's, concrete operators in Revelstoke's markets are going to face a serious shortage of competent drivers. This will heighten the need for effective driver training and safety programs. At times in the 1980's, the concrete business could also encounter cement shortages, particularly in Alberta.

For the past decade, the Company's concrete business has been a consistently good performer for Revelstoke in terms of growth in sales and earnings, and from the standpoint of return on investment. This situation should continue throughout the 1980's as the Company's plants are ideally located in some of the best markets for future construction activity in not just Canada but also all of North America.

Our Lumber Business

1979 Highlights

- The Lumber Division had sales of $14,616,000 compared with $13,101,000 in 1978. In addition, the mills supplied the Company's stores with $10,639,000 of lumber compared with $8,639,000 in the previous year.
- The Lumber Division's earnings increased in comparison with 1978, principally as a result of higher lumber prices.
- Revelstoke's four mills shipped 102,705,000 board feet of lumber compared with 106,666,000 board feet in the prior year. Chip revenues amounted to 4.9% of the Division's sales compared with 4.1% in 1978.
- The Lumber Division incurred capital expenditures of $4,096,000 compared with $2,726,000 in the previous year.



"How the hell do I know what's going to happen to lumber prices in the 80's! Do you know what's going to happen to lumber prices in the 80's?"

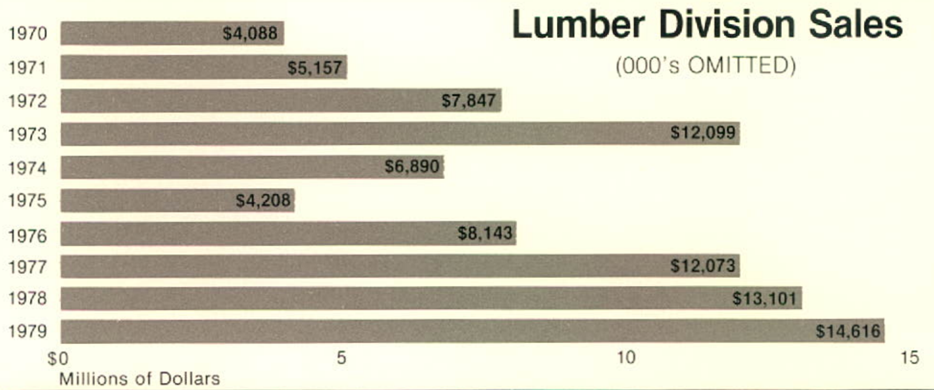
Description of Business

Revelstoke's Lumber Division operates one lumber mill in British Columbia at Radium and three in Alberta at Rocky Mountain House, Sentinel and Sundre. The Company also has a post and pole treating plant adjacent to the Sundre mill. In 1979 the Lumber Division accounted for 7.1% of Revelstoke's total sales compared with 7.3% in the prior year.

The Radium mill accounts for over half of the Company's total lumber output and produces spruce, fir and a small amount of cedar. The three Alberta mills exclusively produce spruce. Usually, about 90% of the Lumber Division's total production is spruce.

Revelstoke possesses annual timber quotas of approximately 106,000,000 board feet with 64,000,000 at the Radium mill, 17,900,000 at Sentinel, 14,800,000 at Rocky Mountain House and 9,300,000 at Sundre. These quotas are granted by the provincial governments for a 20 year period and are renewed subject to satisfactory performance and timber availability.

In 1979 the Company shipped 47.5% of its lumber production to domestic customers which include wholesalers, large developers and industrial accounts, and 14.0% to American and Japanese export customers. The remaining 38.5% of shipments were sold to the Company's own stores which represents most of their spruce lumber requirements.



Review of the 1970's

Between 1970 and 1979 the sales of Revelstoke's Lumber Division have increased from $4,088,000 to $14,616,000. Throughout the 1970's, the Division's earnings have fluctuated basically in accordance with the level of international lumber prices. During the last decade, the Division recorded five years of earnings and five years of losses. Historically, this has been a highly cyclical business for Revelstoke with outstanding returns on investment in the good years and negative returns in the lean years.

The Company started the 1970's with two sizable mills in British Columbia and four small to medium sized mills in Alberta. In 1970 Revelstoke sold its subsidiary, The Kamloops Lumber Company, which operated the largest mill and invested most of the proceeds in expanding the production facilities and quotas at the remaining mill in British Columbia, located at Radium.

During the 1970's, every one of the Company's four mills in Alberta experienced a fire which affected their production but fortunately were covered by insurance. In 1975 Revelstoke sold its timber quotas, planing mill and related properties at Whitecourt, Alberta. From 1970 to 1979, the Lumber Division's capital expenditures were $16,693,000, including the cost of rebuilding those facilities damaged by fires.

Throughout the 1970's the lumber manufacturing business in western Canada underwent a process of large scale rationalization as many mills increased their size of operations and became part of an integrated wood fiber manufacturing process in order to achieve full utilization of their timber resources. As wage costs steadily increased, the lumber manufacturing industry started to make the conversion from being primarily a labor intensive business to being capital intensive with the installation of high speed automated equipment. In the sawmilling side of the business, the most significant advancement was the refinement and greater utilization of Chip N'Saw equipment and other related machinery.

In the 1970's log sizes continued to become smaller while at the same time the provincial forestry departments insisted upon almost total utilization of any timber being harvested. The provincial governments also became much more sensitive to environmental concerns and enacted stiff standards for reducing air and water pollution. These factors added to the need for lumber manufacturers to update their mills with more sophisticated, expensive equipment.

Prior to the 1970's, almost all of the lumber used by the construction industry was fir. Starting early in this decade, most of the lumber used in North American residential construction became spruce as the preponderance of large fir timber began to be utilized for peeler logs to produce fir plywood. A high proportion of this spruce lumber is produced in Canada with a majority of it sold after being kiln dried. In the latter part of the 1970's Canadian producers started selling finished lumber to the Japanese market and chip sales gradually became an important source of revenues for independent lumber manufacturers such as Revelstoke.

As the lumber mills increased in size, they organized their operations to produce and ship on a volume basis with the result that they no longer became interested in handling small orders. With fewer and fewer small mills left in the business, Revelstoke's own mills became an increasingly important supplier of spruce lumber for the Company's stores.

Since 1973 the Lumber Division has been plagued by shipping problems as a result of a shortage of rail cars. Automation also affected the manner in which lumber was transported as the railroads converted to the use of flat cars in order to permit lumber to be loaded in bundles which now are often wrapped or packaged by the manufacturer. An increasing proportion of lumber in the 1970's was shipped by truck but this trend is likely to reverse itself with the growing cost advantage of rail transportation.

During the 1970's, the unions became a much more dominant force in the forest industry. At times this has created extremely strained relations between mill operators and their employees, and has inhibited the ability of the industry to improve productivity. Within the last several years, however, the unions in British Columbia and Alberta appear to have become much more knowledgeable about the economic ramifications of their demands and seem to be more conscious of the need to maintain the international competitive position of the Canadian forest industry.

Outlook for the 1980's

Forecasting the future for the lumber manufacturing industry is a challenging task, especially in view of the commodity nature of the product sold. Ultimately the fortunes of this business are tied to a complex number of factors affecting both supply and demand on a world-wide basis.

For over the past two years, the record of industry analysts and forecasters in predicting lumber prices has been remarkably poor with few exceptions. In most cases these analysts concentrate almost all of their attention on what is going to happen to U.S. housing starts and ignore the other major determinants influencing the price of lumber. Unlike some commodities, the supply of lumber cannot increase substantially whenever demand rises. Consequently, a small incremental change in the balance zone between supply and demand can have a significant impact on prices.

Starting in the late 1970's, the lumber manufacturing business began to experience, in my opinion, a fundamental alteration in the character of the industry which will be highly advantageous to mills operating in British Columbia and Alberta. Basically, we believe that the growth in world-wide demand for lumber produced in Canada during the 1980's has been underestimated by most industry analysts. At the same time, the amount of lumber produced in North America and elsewhere will remain constant or at best will only increase at a modest rate. Given the serious restraints on supply and a considerable long-term increase in demand, Canadian lumber producers should achieve substantial earnings with lumber prices remaining at highly profitable levels throughout most of the 1980's.

While changes are likely to occur in the size and type of housing built, it is estimated that housing starts in Canada and the U.S. are going to average at least 2,000,000 units annually during the 1980's. Over the last two years, the availability of financing for residential construction in the U.S. has improved. This factor, combined with the demographic changes taking place, means that the most cyclical component of demand for lumber will be far less volatile in the 1980's than it was in the previous two decades.

The most significant sources of incremental demand for Canadian producers in the 1980's, however, will come from the other users of lumber within North America, particularly the do-it-yourself home improvement market and non-residential construction, and from overseas markets, including Japan. While more substitute products made from plastic, vinyl and steel became available in the 1970's, they are unlikely to reduce the future demand for lumber as their production is invariably energy intensive. In addition to strong demand for their primary product, Canadian lumber producers should also benefit from sharply higher prices for sawmill by-products, particularly the wood chips used by pulp mills.

From the standpoint of supply, the total production of lumber in North America is unlikely to increase materially during the 1980's. Although additional supply will come from pine mills in the southern U.S., eastern Canada and ultimately Alberta, this will be offset by declines in output from the remaining large producing regions in North America. In the 1980's log sizes will continue to decrease, the supply of economically accessible trees will decline, and environmentalists will likely cause further reductions in the land available for harvesting timber. Meanwhile some of the other major sources of lumber elsewhere in the world, such as the Scandinavian countries and Russia, appear to be facing a cutback in their future production.

Consequently, the lumber market for Canadian producers should be strong throughout most of the 1980's with frequent periods of extremely tight supply. Ultimately, most of the North American lumber production will be controlled by a limited number of large companies in a similar manner as is the production of plywood today. Under these circumstances, Revelstoke's stores will obviously benefit from having an assured source of supply through the Company's own mills.

Other factors affecting the lumber manufacturing business in the 1980's will likely include:

1. Further development and refinement of mill equipment designed to improve the lumber recovery from logs, achieve greater automation and speed up production.
2. A critical shortage of skilled mill workers and loggers.
3. A major increase in logging costs.
4. Transportation difficulties in getting logs to the mills and in shipping lumber.
5. Much more intensive forest management programs administered jointly by governments and mill operators.
6. Fir and larch lumber becoming a scarce specie by the mid 1980's.
7. A decrease in fuel consumed by mills as they start producing all of their energy requirements from their own waste materials.
8. A gradual increase in the value of the Canadian dollar relative to the American dollar.

Unlike the last decade, Revelstoke's Lumber Division should provide the Company with a high return on investment throughout most of the 1980's. Each of Revelstoke's four mills is in a position to benefit from the strong future demand for lumber and is expected to continue to play an important role in supplying the Company's stores. To keep pace with changes in the industry, the Lumber Division will require considerable capital expenditures but the necessary additional investment will be more than adequately funded by the mills' cash flow. In the first half of the 1980's, the most significant project in the Lumber Division may involve building a new mill to replace the Company's existing facilities at Rocky Mountain House, Alberta. This might be prompted by an increase in Revelstoke's timber quotas in that area.

Given the current depressed market for lumber in North America, this forecast for the 1980's may appear overly optimistic. Nevertheless, we are convinced that the principal supply and demand factors inherent in this industry are undergoing a fundamental shift which will greatly improve the financial returns of most North American lumber manufacturers.

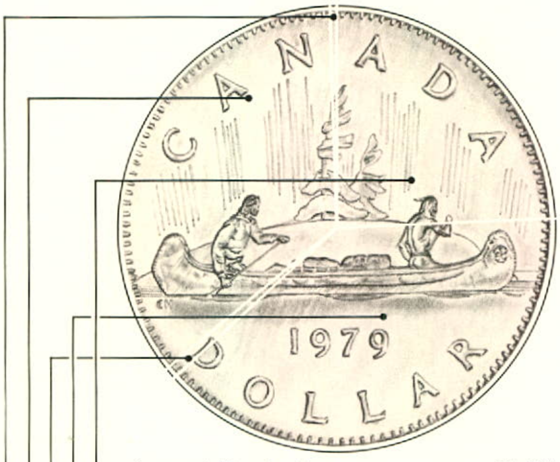
DON'T BUY GOLD

On January 26, 1980 the Company ran the full-page newspaper ad shown on the opposite page in its major markets. The closing gold price on the prior day was $634.00 (U.S.), down $47.00 for the day.

This type of ad is designed to stimulate attention and interest in Revelstoke and its products on the part of potential customers.

Highlights of Our Financial Position

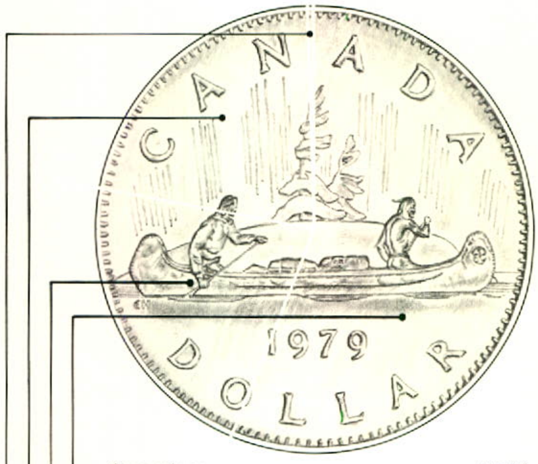
Three dominant factors determine the health and viability of most companies — their people, facilities and financial position. This section of the annual report is devoted to giving our shareholders a better understanding of Revelstoke's financial position and the results for 1979. The detailed figures for most of the foregoing charts are contained in the Company's audited financial statements and footnotes which follow this section.



Accounts Receivable	24.2%
Inventories	39.7%
Notes Receivable	0.7%
Fixed Assets (Net)	35.0%
Goodwill	0.4%
Total	100.0%

Assets

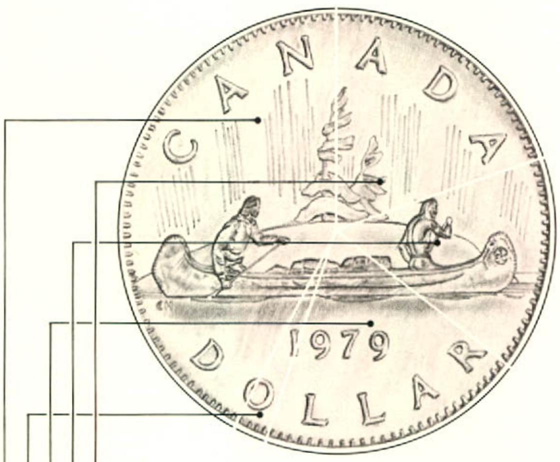
Revelstoke's assets consist of materials, merchandise and property owned by the Company and used in its business, as well as claims for payment owed by others which have not yet been collected. The largest component of Revelstoke's assets is the inventory, which is constantly being turned over as it is sold to customers and replenished. The second largest category is the fixed assets owned by the Company, which consist mainly of the stores and real estate associated with Revelstoke's retail business.



Operations	56.3%
Sales of Fixed Assets	22.5%
Long Term Debt	20.8%
Notes Receivable	0.4%
Total	100.0%

Source of Funds

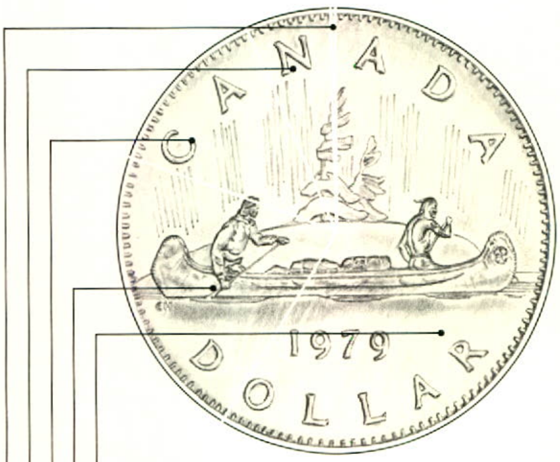
During each year, Revelstoke receives an inflow of funds from a number of sources. After deducting all costs for merchandise, expenses and taxes, the resulting net earnings are the principal source of funds for the Company. The second largest source of funds usually is depreciation, which represents the amount charged against earnings each year based on the estimated decline in value of Revelstoke's fixed assets and equipment arising from age as well as wear and tear. Other significant sources of funds include money borrowed by the Company on a long-term basis.



Banks and Loans	20.3%
Other Current Liabilities	16.8%
Long Term Debt	20.5%
Deferred Taxes	2.6%
Shareholders' Equity	39.8%
Total	100.0%

Liabilities & Shareholders' Equity

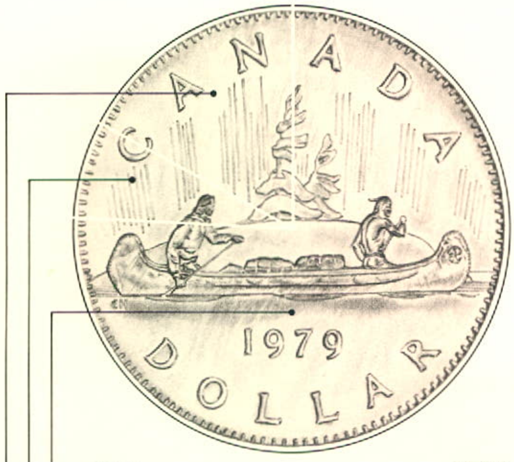
Revelstoke's liabilities and shareholders' equity provide the necessary financing to support the Company's business and day-to-day operations. The liabilities consist of all bills and debts owed by Revelstoke to others and the shareholders' equity is the money invested and retained in the Company by Revelstoke's owners or shareholders. The largest liability relates to short-term loans granted the Company by its bankers.



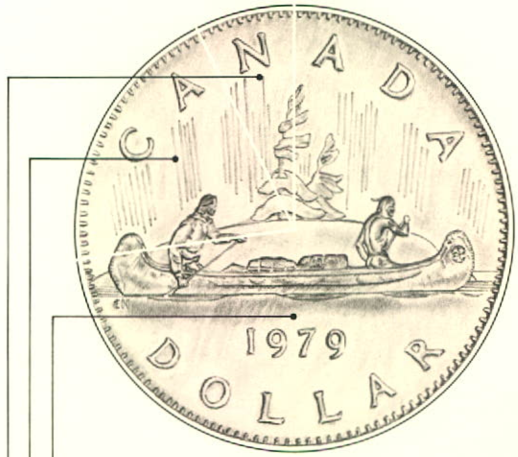
Fixed Assets including Goodwill	58.4%
Working Capital	21.7%
Retirement of Debt	13.5%
Dividends	6.3%
Purchase of Preferred Shares	0.1%
Total	100.0%

Application of Funds

The funds received by Revelstoke are used for a number of purposes. Each year the largest outflow of funds is for capital expenditures to upgrade the Company's existing facilities, to build new stores and plants, to purchase additional equipment and to expand Revelstoke's operations. Two other important applications of funds are the repayment of long-term borrowings and the payment of dividends to the Company's shareholders. For many years, most of Revelstoke's net earnings have been retained in the Company to assist in financing its growth.



Retail	76.2%
Concrete	7.0%
Lumber	16.8%
Total	100.0%



Retail	72.7%
Concrete	20.2%
Lumber	7.1%
Total	100.0%

Inventory by Division

By far the largest proportion of Revelstoke's total inventory consists of merchandise on hand at the Company's stores to be sold to customers over the following two to three month period. The Concrete Division's inventory represents cement, sand and gravel used mainly in the production of concrete at its redi-mix plants. The Lumber Division's inventory includes logs and rough lumber which require further processing as well as finished lumber waiting to be shipped to customers, including Revelstoke's own stores.

Sales by Division

The Company's retail business accounts for close to three-quarters of Revelstoke's total sales. The majority of these transactions are to homeowners, farmers and ranchers from the Company's 105 stores which also sell to builders and contractors. Revelstoke's sales from its concrete plants and lumber mills also represent a significant proportion of the Company's overall business.

Retail	49.9%
Concrete	29.9%
Lumber	20.2%
Total	100.0%

Retail	55.3%
Concrete	23.1%
Lumber	21.6%
Total	100.0%

Fixed Assets by Division

The Company's retail business also logically requires the greatest amount of fixed assets in comparison with Revelstoke's concrete and lumber operations. Unlike most retailers, the Company has retained the ownership to almost all of the real estate associated with its stores. In most instances, the market value of Revelstoke's properties is significantly higher than either their original or depreciated cost.

Operating Profit by Division

Revelstoke's retail business generated a majority of the Company's operating profit before deducting corporate administrative expenses and interest costs. The Concrete Division was the second most important contributor of operating profit despite a major increase last year in the Lumber Division's operating profit.

Consolidated Balance Sheet

REVELSTOKE COMPANIES LTD.

Assets	December 31 1979	1978 (Restated Note 2)
Current Assets		
Accounts Receivable	$ 25,003,000	$ 23,648,000
Inventories (Note 3)	40,963,000	39,967,000
	65,966,000	63,615,000
Notes Receivable (Note 7)	723,000	801,000
Property, Plant and Equipment, at Cost (Notes 1 and 4)	62,330,000	53,714,000
Less: Accumulated Depreciation and Depletion	26,269,000	23,000,000
	36,061,000	30,714,000
Goodwill less Amortization (Note 1)	400,000	520,000
Total Assets	$103,150,000	$ 95,650,000

APPROVED BY THE BOARD:

Director

Director

Liabilities and Shareholders' Equity

	December 31 1979	December 31 1978 (Restated Note 2)
Current Liabilities		
Short Term Loans	$ 20,977,000	$ 26,259,000
Accounts Payable and Accrued Liabilities	13,372,000	12,099,000
Income Taxes Payable	1,445,000	167,000
Long Term Debt Due Within One Year (Note 5)	2,515,000	1,976,000
	38,309,000	40,501,000
Long Term Debt (Note 5)	21,141,000	19,588,000
Deferred Income Taxes	2,629,000	1,269,000
Shareholders' Equity		
Capital Stock (Note 6)		
Preference Shares Issued	1,879,000	1,911,000
Common Shares Issued	5,089,000	5,089,000
Retained Earnings	34,103,000	27,292,000
Total Shareholders' Equity	41,071,000	34,292,000
Commitments (Note 10)		
Total Liabilities and Shareholders' Equity	$103,150,000	$ 95,650,000

Consolidated Statement of Current and Retained Earnings

REVELSTOKE COMPANIES LTD.

Years ended December 31	1979	1978 (Restated Note 2)
Current Earnings		
Sales — Retail Division	$150,006,000	$130,992,000
Concrete Division	41,791,000	34,185,000
Lumber Division	14,616,000	13,101,000
	206,413,000	178,278,000
Gain on Disposal of Fixed Assets	1,993,000	245,000
	208,406,000	178,523,000
Costs and Expenses		
Cost of Sales, Selling, General and Administrative	184,373,000	161,676,000
Depreciation, Depletion and Amortization (Note 1)	4,251,000	3,878,000
Interest (Long Term: 1979 - $2,344,000; 1978 - $2,261,000)	6,117,000	4,703,000
	194,741,000	170,257,000
Earnings before Income Taxes	13,665,000	8,266,000
Provision for Income Taxes		
Current	4,173,000	2,981,000
Deferred	1,360,000	282,000
	5,533,000	3,263,000
Net Earnings for the Year	$ 8,132,000	$ 5,003,000
Earnings Per Common Share (Note 1)	$1.99	$1.22
Retained Earnings		
Balance at Beginning of Year as Previously Reported	$ 27,713,000	$ 23,517,000
Adjustment for Capital Leases (Note 2)	(421,000)	(310,000)
Balance at Beginning of Year as Restated	27,292,000	23,207,000
Addition		
Net Earnings for the Year	8,132,000	5,003,000
	35,424,000	28,210,000
Deductions		
Dividends on Preference Shares	114,000	116,000
Dividends on Common Shares	1,207,000	802,000
Balance at End of Year	$ 34,103,000	$ 27,292,000

Consolidated Statement of Changes in Financial Position

REVELSTOKE COMPANIES LTD.

Years ended December 31	1979	1978 (Restated Note 2)
Source of Funds		
Net Earnings for the Year	$ 8,132,000	$ 5,003,000
Add (Deduct) Items Not Affecting Funds From Operations		
Depreciation, Depletion and Amortization	4,251,000	3,878,000
Deferred Income Taxes	1,360,000	282,000
Gain on Disposal of Fixed Assets	(1,993,000)	(245,000)
Other	8,000	3,000
Funds from Operations	11,758,000	8,921,000
Notes Receivable	78,000	24,000
Long Term Debt	4,346,000	1,968,000
Proceeds on Disposal of Fixed Assets	4,713,000	450,000
Shares Issued	—	351,000
	20,895,000	11,714,000
Application of Funds		
Fixed Assets	12,096,000	8,823,000
Purchase of Preference Shares	24,000	39,000
Dividends	1,321,000	918,000
Long Term Debt	2,809,000	2,129,000
Goodwill	102,000	100,000
Notes Receivable	—	351,000
Dividend Paid to Minority Shareholder	—	175,000
Acquisition of Minority Interest	—	80,000
	16,352,000	12,615,000
Increase (Decrease) in Working Capital	4,543,000	(901,000)
Working Capital at Beginning of Year	23,114,000	24,015,000
Working Capital at End of Year	$27,657,000	$23,114,000
Changes in Components of Working Capital		
Current Assets		
Accounts Receivable	$ 1,355,000	$ 5,057,000
Inventories	996,000	3,316,000
	2,351,000	8,373,000
Current Liabilities		
Short Term Loans	(5,282,000)	7,577,000
Accounts Payable and Accrued Liabilities	1,273,000	2,228,000
Income Taxes Payable	1,278,000	(534,000)
Long Term Debt Due Within One Year	539,000	3,000
	(2,192,000)	9,274,000
Increase (Decrease) in Working Capital	$ 4,543,000	$ (901,000)

Notes to Consolidated Financial Statements

REVELSTOKE COMPANIES LTD.

Note 1 Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies from their effective dates of acquisition. All of the subsidiary companies are wholly owned. Inter-company balances and transactions are eliminated.

DEPRECIATION

The Company's property, plant and equipment are depreciated on the following basis:

	Basis	Rate
Buildings	Straight-line	2.5% - 5%
Machinery and Equipment	Straight-line	10% - 30%
Logging Access Roads	Unit of production	Based on estimated reserves
Sand and Gravel Rights and Properties	Unit of production	Based on estimated reserves if not leased for fixed period
Timber Rights and Leases	Straight-line	5%
Assets under Capital Leases	Straight-line	10% - 30%

GOODWILL

Goodwill acquired after December 31, 1973 in conjunction with the purchase of fixed assets and subsidiaries is being amortized over periods of up to seven years.

CAPITAL LEASES

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized using the straight-line method.

EARNINGS PER COMMON SHARE

The earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year.

Note 2 Change in Accounting Principle

In 1979 the Company changed its method of accounting for leases to comply with the provision of the Canadian Institute of Chartered Accountants' recommendation on "Leases." This recommendation requires that leases meeting certain criteria be capitalized and depreciated over their estimated useful life, with appropriate charges to operations for the interest portion of rental payments. The application of the recommendation is effective for leases entered into after January 1, 1979 although earlier retroactive application is encouraged. The Company has elected to adopt the recommendation retroactively. Accordingly, the financial statements have been restated with the following balance sheet effects at December 31, 1978:

Assets	
Property, Plant and Equipment, Net	$5,954,000
Liabilities and Shareholders' Equity	
Current Liabilities	$1,449,000
Long Term Debt	5,282,000
Deferred Income Taxes	(356,000)
Retained Earnings — Opening	(310,000)
— 1978 Earnings	(111,000)
	$5,954,000

Certain other 1978 balance sheet items have been restated to correspond to the 1979 presentation.

Note 3 Inventories

Inventories in the Retail and Concrete Divisions are valued at the lower of cost or net realizable value (estimated selling price) on a first in first out basis.

In the Lumber Division inventories are valued at the lower of average production cost or net realizable value (mill net selling price, less cost of shipping).

INVENTORY VALUES BY DIVISION ARE AS FOLLOWS:

	1979	1978
Retail Division	**$31,213,000**	$32,979,000
Concrete Division	**2,874,000**	2,139,000
Lumber Division	**6,876,000**	4,849,000
	$40,963,000	$39,967,000

Note 4 Property, Plant and Equipment

	1979		1978	
	Cost	Net Book Value	Cost (Restated Note 2)	Net Book Value (Restated Note 2)
Land	**$ 4,468,000**	**$ 4,468,000**	$ 3,986,000	$ 3,986,000
Buildings	**15,506,000**	**10,886,000**	13,791,000	9,496,000
Machinery and Equipment	**22,889,000**	**10,210,000**	19,917,000	9,152,000
Logging Access Roads	**3,294,000**	**828,000**	3,074,000	922,000
Sand and Gravel Rights and Properties	**682,000**	**384,000**	682,000	417,000
Timber Rights and Leases	**2,396,000**	**833,000**	2,238,000	787,000
Assets under Capital Leases	**13,095,000**	**8,452,000**	10,026,000	5,954,000
	$62,330,000	**$36,061,000**	$53,714,000	$30,714,000

Note 5 Long Term Debt

	1979	1978 (Restated Note 2)
Sinking Fund Debentures, 10⅜% due 1997 (Annual sinking fund requirement $300,000, commencing June 15, 1980)	**$ 6,924,000**	$ 6,919,000
Sinking Fund Debentures, 11⅝% due 1990 (Annual sinking fund requirement $600,000, commencing July 31, 1981)	**6,244,000**	6,239,000
Sinking Fund Debentures, 6.5% due 1981 (Annual sinking fund requirement $200,000)	**232,000**	442,000
Serial Debentures, 10% (Due 1980)	**199,000**	396,000
Serial Notes, 10% (Due 1980)	**140,000**	279,000
Purchase Money Mortgages (Repayable over various terms to 1999 at rates varying from 9½% to 11½%)	**600,000**	577,000
10% Mortgage	**—**	20,000
Capital Lease Obligations	**9,317,000**	6,692,000
	23,656,000	21,564,000
Long Term Debt Due Within One Year	**2,515,000**	1,976,000
	$21,141,000	$19,588,000

Aggregate annual maturities excluding those related to capital lease obligations for the next five years are as follows:

1980	$882,000
1981	$913,000
1982	$915,000
1983	$917,000
1984	$918,000

Future obligations under capital leases are as follows:

1980	$ 2,414,000
1981	2,212,000
1982	2,054,000
1983	1,803,000
1984	1,378,000
Subsequent	1,481,000
	11,342,000
Less amount representing interest	2,025,000
Net capital lease obligations	$ 9,317,000

Note 6 Capital Stock

PREFERENCE SHARES

The 300,000 authorized preference shares of a par value of $20.00 each are issuable in series, of which 125,000 have been designated as 6% cumulative redeemable shares 1961 series and are redeemable at $20.50 plus any accrued and unpaid dividends as at the date of redemption and 9,351 have been designated as 1% non-cumulative redeemable preference shares 1970 series.

The 6% cumulative redeemable shares 1961 series issued and outstanding are as follows:

	1979		1978	
	Shares	**Amount**	**Shares**	**Amount**
Balance, Beginning of Year	**95,544**	**$1,911,000**	98,144	$1,963,000
Purchased on Open Market and Tendered for Cancellation	**1,600**	**32,000**	2,600	52,000
Balance, End of Year	**93,944**	**$1,879,000**	95,544	$1,911,000

COMMON SHARES

10,000,000 common shares of no par value are authorized. Common shares issued and outstanding are as follows:

	1979		1978	
	Shares	**Amount**	**Shares**	**Amount**
Balance, Beginning of Year	**4,024,493**	**$5,089,000**	3,989,493	$4,738,000
Issued for Cash Under Employee Stock Purchase Plan	**—**	**—**	35,000	351,000
Balance, End of Year	**4,024,493**	**$5,089,000**	4,024,493	$5,089,000
Shares reserved for employee stock purchase plan				246,766

Note 7 Statutory Requirements

(a) The remuneration of directors and senior officers in 1979 amounted to $679,000 compared with $506,000 in 1978.

(b) The Company has a Stock Purchase Plan which provides that employees will be entitled to purchase common shares of the Company in such amounts as the Directors shall approve at a price equal to the closing price on the Toronto Stock Exchange on the date the shares are purchased. The Company advances to such employees by way of loan the purchase price of such shares and the employees give the Company promissory notes payable without interest at a date determined by the Directors. As security for such loans, the employees pledge the shares of the Company purchased by them pursuant to the Plan.

Total notes receivable under the Plan from officers and other employees who are shareholders of the Company at December 31, 1979 are $723,000 (1978 - $801,000).

Note 8 Pension Plan

The Company and its subsidiaries have a contributory retirement plan which is available to substantially all its employees. Current service costs are charged to operations as they accrue. According to an actuarial valuation made as of December 31, 1978, there is no unfunded liability.

Note 9 Segmented Information

The following information is an analysis of the Company's operations and assets by principal industry segment. All operations are in one principal geographic area.

Years ended December 31	**1979**	**1978**
Sales:		
Retail	**$150,006,000**	$130,992,000
Concrete	**41,791,000**	34,185,000
Lumber	**25,255,000**	21,740,000
	217,052,000	186,917,000
Inter-segment Sales	**(10,639,000)**	(8,639,000)
	$206,413,000	$178,278,000

Note 9 Segmented Information (Continued)

Years ended December 31	1979	1978
Operating Profit:		
Retail	$ 12,263,000	$ 8,917,000
Concrete	5,122,000	3,997,000
Lumber	4,794,000	2,938,000
	22,179,000	15,852,000
Corporate Administrative Expenses	(4,390,000)	(3,128,000)
Fixed Asset Disposal - Gain	1,993,000	245,000
	19,782,000	12,969,000
Interest Expense	(6,117,000)	(4,703,000)
Earnings Before Income Taxes	$ 13,665,000	$ 8,266,000
Identifiable Assets:		
Retail	$ 63,151,000	$ 62,968,000
Concrete	22,261,000	15,115,000
Lumber	11,081,000	12,956,000
	96,493,000	91,039,000
Corporate	6,657,000	4,611,000
	$103,150,000	$ 95,650,000
Depreciation, Depletion and Amortization:		
Retail	$ 1,345,000	$ 1,160,000
Concrete	1,519,000	1,358,000
Lumber	1,239,000	1,232,000
	4,103,000	3,750,000
Corporate	148,000	128,000
	$ 4,251,000	$ 3,878,000
Capital Expenditures:		
Retail	$ 4,407,000	$ 3,641,000
Concrete	3,320,000	2,287,000
Lumber	4,096,000	2,726,000
	11,823,000	8,654,000
Corporate	273,000	169,000
	$ 12,096,000	$ 8,823,000

A general description of the principal products for each industry segment is included in the Annual Report. Segment revenues include sales to unaffiliated customers, as reported in the Company's consolidated earnings statement, and sales to other segments which are priced at market value. Segment operating profit is revenue less allocable operating expenses. Segment identifiable assets are those which are directly used in segment operations.

Note 10 Commitments

At December 31, 1979, the Company operated 105 stores. The properties relating to 92 of these stores are owned with those relating to the other 13 being leased for terms varying from five to twenty years at minimum annual rentals (exclusive of taxes, insurance and other occupancy charges) over the next five years as follows:

1980	$1,075,000
1981	$1,075,000
1982	$1,079,000
1983	$1,080,000
1984	$1,097,000

Auditors' Report

To the Shareholders of
Revelstoke Companies Ltd.

We have examined the consolidated balance sheet of Revelstoke Companies Ltd. as at December 31, 1979 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for leases referred to in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Price Waterhouse & Co

March 5, 1980

Chartered Accountants

Report of Management's Financial Responsibility

The management of Revelstoke Companies Ltd. is responsible for the integrity and objectivity of the accompanying financial statements, supplemental financial data, and other information in this annual report. The financial statements have been prepared in accordance with appropriate generally accepted accounting principles, which recognize the necessity of relying on some of our best estimates and judgments. The other information presented is consistent with the financial statements.

To discharge its responsibilities for financial reporting, management depends on the Company's systems of internal accounting control which are designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorizations. Management meets the objectives of internal accounting control on a cost-effective basis by prudent selection of personnel, adoption of appropriate policies, effective communication to personnel, establishment of an effective system of authorization and approval, and employment of a comprehensive internal audit program.

The Board of Directors discharges its responsibilities for the financial statements primarily through the activities of its Audit Committee composed solely of directors who are neither officers nor employees of the Company. This Committee meets with management to assure that it is meeting its responsibility concerning financial controls and systems. The Audit Committee also meets with the Company's independent auditors, Price Waterhouse & Co., both with and without the presence of management, to discuss the results of its audit, its opinion on internal accounting controls and the quality of financial reporting.

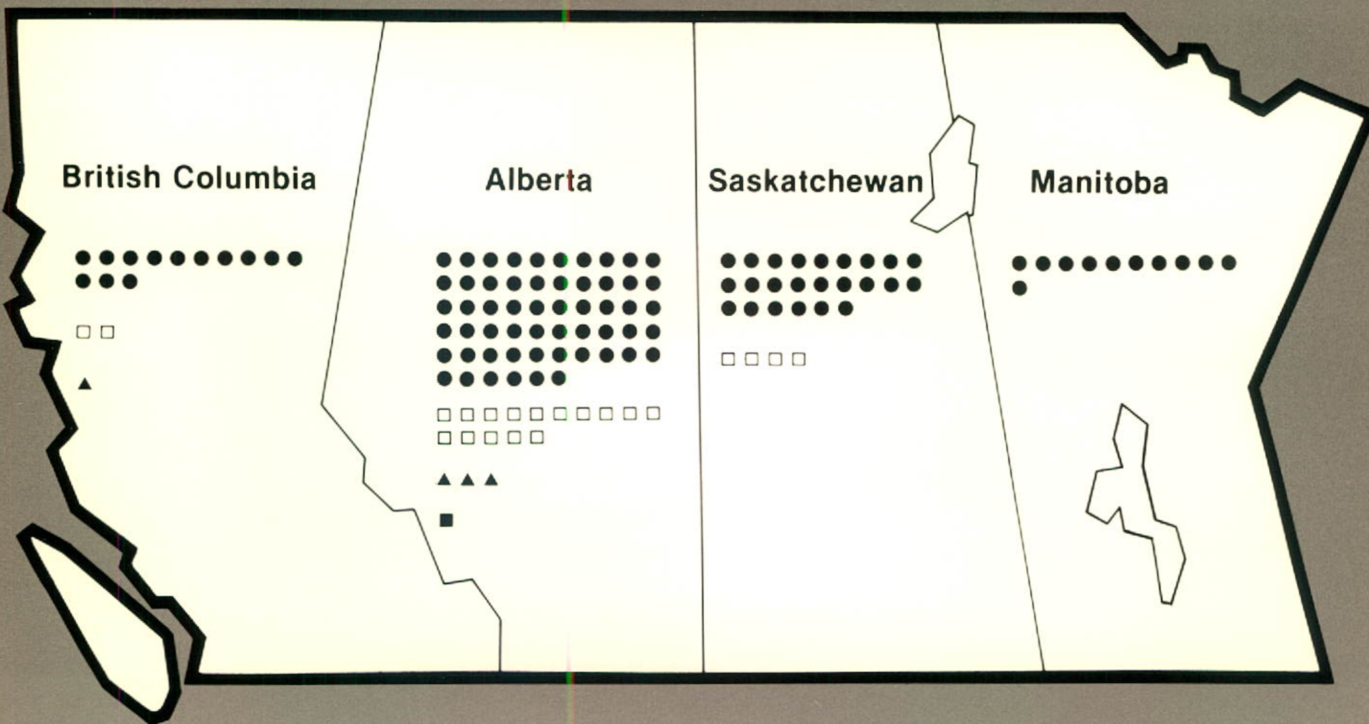
The financial statements have been audited by Price Waterhouse & Co., whose appointment was ratified by shareholder vote at an annual shareholders' meeting. The auditors' report expresses an informed judgment as to whether management's financial statements, considered in their entirety, present fairly in conformity with generally accepted accounting principles the Company's financial condition and results of operations.

President

K.A.C. McDowell

Vice President and Secretary
Treasurer

Where We Are



Sales by Province

	1979		1978	
British Columbia	$ 45,504,000	22.0%	$ 39,238,000	22.0%
Alberta	127,357,000	61.7%	106,821,000	59.9%
Sask./Man.	33,552,000	16.3%	32,219,000	18.1%
Total	$206,413,000	100.0%	$178,278,000	100.0%

Legend

- ● Store
- □ Concrete Plant
- ▲ Lumber Mill
- ■ Head Office

British Columbia

- ● Cranbrook
- ● Creston
- □● Dawson Creek
- ● Duncan
- □● Fort St. John
- ● Kelowna
- ● Ladysmith
- ● Nanaimo
- ● Parksville
- ● Penticton
- ● Port Alberni
- ▲ Radium
- ● Victoria
- ● White Rock

Alberta

- ● Acme
- ● Airdrie
- ● Alix
- ● Athabasca
- ● Bentley
- □● Brooks
- □■ Calgary
- ● Calgary East
- ● Calgary Eastport
- ● Calgary North
- ● Calgary Midnapore
- □● Camrose
- ● Carstairs
- ● Castor
- □ Claresholm
- ● Coronation
- ● Crossfield
- ● Daysland
- ● Didsbury
- ● Drayton Valley
- ● Drumheller
- ● Eckville
- □ Edmonton
- ● Edmonton Millwoods
- ● Edmonton North
- ● Edmonton South
- ● Edmonton West
- ● Fort McMurray
- □● Grande Prairie
- ● Hanna
- ● Hardisty
- ● High River
- ● Holden
- ● Innisfail
- ● Lacombe
- ● Lac La Biche
- □● Leduc
- ● Legal
- □● Lethbridge
- □● Medicine Hat
- ● Nanton
- ● Okotoks
- □● Olds
- □● Peace River
- ● Picture Butte
- □● Ponoka
- □● Red Deer
- ▲● Rocky Mountain House
- ▲ Sentinel
- ▲● Sundre
- ● Sylvan Lake
- □● Taber
- ● Vauxhaul
- ● Vegreville
- ● Vermilion
- ● Viking
- ● Vulcan
- ● Wainwright
- □● Wetaskiwin
- ● Whitecourt

Saskatchewan

- □● Battleford
- ● Davidson
- ● Elrose
- ● Fox Valley
- ● Gull Lake
- ● Humboldt
- ● Leader
- ● Lumsden
- □● Meadow Lake
- ● Melfort
- ● Moose Jaw
- ● Ponteix
- ● Prelate
- ● Prince Albert
- ● Regina
- ● Rosetown
- ● Rosthern
- □ Saskatoon
- ● Saskatoon Revelstoke
- ● Saskatoon T.M. Ball
- □● Swift Current
- ● Tisdale
- ● Unity
- ● Watrous
- ● Yorkton

Manitoba

- ● Boissevain
- ● Brandon
- ● Cypress River
- ● Flin Flon
- ● Hamiota
- ● Morden
- ● Portage La Prairie
- ● Swan River
- ● The Pas
- ● Thompson
- ● Virden

Financial Review of the 1970's

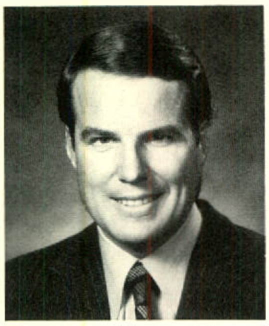
For the Years Ended December 31	Compound Growth Rate 10 Year	Compound Growth Rate 5 Year	1979	1978	1977
Income Statement					
Total Sales	20.1%	20.8%	$206,413,000	$178,278,000	$153,275,000
Pre-Tax Earnings	20.9%	23.4%	13,665,000	8,266,000	7,146,000
Income Taxes	17.4%	18.7%	5,533,000	3,263,000	2,853,000
Extraordinary Items	—	—	—	—	—
Net Earnings	25.3%	27.7%	8,132,000	5,003,000	4,290,000
Cash Flow	19.7%	23.0%	11,758,000	8,921,000	6,198,000
Per Share (1)					
Sales	18.8%	19.5%	51.29	44.65	38.99
Earnings	25.8%	27.5%	1.99	1.22	1.06
Cash Flow	18.4%	21.8%	2.92	2.23	1.58
Dividends	11.7%	24.6%	0.30	0.20	0.13
Shareholders' Equity	13.2%	15.9%	9.74	8.05	7.00
Balance Sheet					
Working Capital	12.8%	23.0%	27,657,000	23,114,000	24,015,000
Fixed Assets	17.6%	16.8%	36,061,000	30,714,000	25,716,000
Long Term Debt	22.7%	34.1%	21,141,000	19,588,000	19,734,000
Shareholders' Equity	12.8%	15.5%	41,071,000	34,292,000	29,908,000
Total Assets	16.9%	15.8%	103,150,000	95,650,000	82,048,000
Ratios					
Current Assets to Current Liabilities			1.72	1.57	1.77
Equity Capital to Long Term Debt			1.94	1.75	1.52
Return on Assets			8.50%	6.10%	5.53%
Return on Shareholders' Equity			23.71%	16.73%	16.62%
Other Information					
Common Shares Outstanding (1)			4,024,493	4,024,493	3,989,493
Shareholders at Year End			898	862	883
Common Share Price Range - High (1)			$ 13.38	$ 11.13	$ 9.25
- Low (1)			$ 8.50	$ 6.38	$ 6.63
Employees at Year End			1,944	2,023	1,930

(1) The figures have been adjusted to reflect the 2 for 1 stock split in June 1976 and the 3 for 1 stock split in October 1972. Per share figures are calculated using the weighted average number of shares outstanding during each year, except for dividends and shareholders' equity per share, which are derived from the actual number of shares outstanding on dividend dates and at the year ends, respectively. Earnings per share are calculated after deducting preferred dividends and shareholders' equity per share is calculated using the total of the common share capital and retained earnings.

(2) Certain figures have been restated for the years 1972 through 1978, resulting from the capitalization of leases on a retroactive basis.

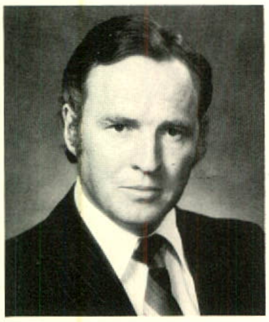
1976	1975	1974 Base Year	1973	1972	1971	1970	1969 Base Year
$148,902,000	$ 93,304,000	$ 80,343,000	$ 63,171,000	$ 42,809,000	$ 31,866,000	$ 29,339,000	$ 33,096,000
7,915,000	4,583,000	4,765,000	6,326,000	3,000,000	1,420,000	204,000	2,044,000
3,628,000	2,073,000	2,344,000	3,009,000	1,445,000	652,000	122,000	1,114,000
—	—	—	—	—	—	1,789,000	—
4,234,000	2,470,000	2,398,000	3,300,000	1,541,000	764,000	1,863,000	854,000
6,765,000	4,027,000	4,170,000	5,469,000	2,970,000	2,074,000	2,759,000	1,943,000
38.25	24.31	21.02	17.49	11.89	8.85	8.15	9.19
1.06	0.61	0.59	0.88	0.39	0.18	0.48	0.20
1.74	1.05	1.09	1.51	0.83	0.58	0.77	0.54
0.125	0.10	0.10	0.085	0.07	0.035	0.065	0.10
6.09	5.17	4.66	4.18	3.71	3.37	3.22	2.81
17,096,000	15,596,000	9,812,000	9,824,000	6,456,000	7,179,000	8,418,000	8,266,000
22,603,000	20,314,000	16,582,000	14,787,000	12,509,000	9,329,000	7,904,000	7,116,000
12,375,000	12,058,000	4,872,000	5,526,000	3,504,000	2,227,000	2,537,000	2,732,000
25,807,000	22,004,000	19,985,000	18,095,000	15,502,000	14,263,000	13,771,000	12,321,000
77,596,000	62,876,000	49,512,000	44,041,000	33,206,000	23,936,000	21,645,000	21,684,000
1.46	1.59	1.42	1.51	1.46	1.97	2.58	2.42
2.09	1.82	4.10	3.27	4.42	6.40	5.43	4.51
6.73%	4.99%	5.44%	9.94%	6.44%	3.53%	8.59%	4.45%
19.24%	12.36%	13.25%	21.29%	10.81%	5.55%	15.12%	7.11%
3,904,962	3,860,522	3,837,030	3,820,030	3,600,030	3,600,030	3,600,030	3,600,030
897	899	906	760	735	901	964	935
$ 8.00	$ 4.57	$ 6.69	$ 6.44	$ 3.94	$ 2.75	$ 2.25	$ 5.13
$ 3.90	$ 2.88	$ 2.50	$ 3.82	$ 2.25	$ 1.50	$ 1.33	$ 2.17
2,035	1,650	1,300	1,250	1,100	900	800	830

Our Company Officers and Directors

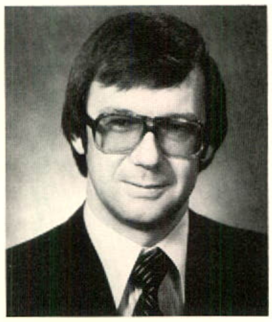


Officers

Steele Curry
President and Chief Executive Officer. Joined Revelstoke in that position in 1971. Received M.B.A. from Harvard University in 1964, B.A. from Stanford University in 1962. Age 39.

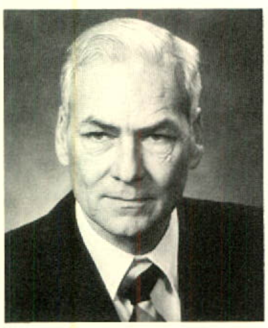


Gerald A. Berkhold
Senior Vice President. Responsible for developing programs in the areas of inventory control, gross margin management, credit administration and management training. Joined Revelstoke as Vice President Operations in 1972, appointed Senior Vice President in early 1979. Received B.Comm. from the University of Alberta in 1960. Age 41.



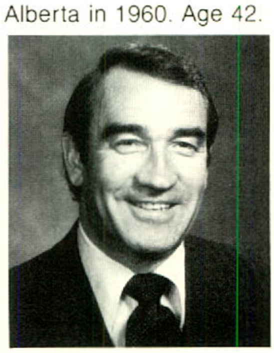
Brian A. Harris
Assistant Secretary Treasurer. Responsible for accounting and general administration. Also responsible for legal matters in conjunction with the Vice President and Secretary Treasurer. Joined Revelstoke in 1959, appointed Assistant Secretary Treasurer in 1977. R.I.A. Age 39.

Gordon D. Roberts
Vice President Operations. Responsible for the operations of the Retail and Concrete Divisions, and for the data processing and management information systems. Joined Revelstoke as Vice President Administration in 1975, appointed Vice President Operations in early 1979. Received B.Comm. from the University of Alberta in 1960. Age 42.



Keith A.C. McDowell
Vice President and Secretary Treasurer. Responsible for the Company's general corporate, financial and legal affairs. Joined Revelstoke in 1955, appointed Secretary Treasurer in 1961 and Vice President in 1968. C.A. Age 52.

John B. Hall
Vice President Lumber Trading. Responsible for selling the lumber produced by the Company's mills and purchasing the lumber required by the stores. Joined Revelstoke in 1938, appointed Vice President in 1960. Age 64.



Victor R. Roskey
Vice President Merchandising. Responsible for advertising, new store development, purchasing and the other merchandising functions of the Retail Division. Joined Revelstoke in 1948, appointed Vice President in 1974. Age 48.

Board of Directors

Gerald A. Berkhold
Senior Vice President
Revelstoke Companies Ltd.
Calgary, Alberta

G. Mark Curry †
Member of Corporate
Finance Department
Burns Fry Limited
Toronto, Ontario

Steele Curry * ‡ ⁑
President
Revelstoke Companies Ltd.
Calgary, Alberta

Neil B. Ivory †
President
Pembroke Management Ltd.
Montreal, Quebec

John E. Sands, C.A. * † ‡
Vice President
Trucena Investments Limited
Toronto, Ontario

John L. Schlosser ‡
President
Tri-Jay Investments Ltd.
Edmonton, Alberta

Daryl K. Seaman
Chairman and Chief
Executive Officer
Bow Valley Industries Ltd.
Calgary, Alberta

Brett F. Sine *
Former Chairman
Revelstoke Companies Ltd.
Calgary, Alberta

Robert L. Strickland ‡
Chairman of the Board
Lowe's Companies, Inc.
North Wilkesboro, North Carolina

* Members of the Executive Committee

† Members of the Audit Committee

‡ Members of the Compensation Committee

⁑ Chairman of the Board

Our Company Objectives

- To serve and satisfy an increasing number of customers.
- To provide the men and women in our Company with the opportunity for advancement and increased personal satisfaction.
- To demonstrate entrepreneurship, leadership and high standards throughout the Company.
- To participate in markets which experience above average growth.
- To monitor closely competitive market conditions.
- To keep our manner of doing business simple and economical.
- To strive for excellence as opposed to imitating others and accepting how things were done in the past without question.
- To increase earnings per share and achieve an acceptable return on shareholders' equity.
- To support community affairs where we are located on a basis consistent with the size of our Company.
- To have fun.

General Company Information

Company Ownership

Venture Funding Corporation Limited, a private investment holding company, owns just over 43% of the total outstanding common shares. Venture Funding is Canadian controlled and not a "noneligible person" as defined by the Foreign Investment Review Act of the Canadian federal government. Another 7% of Revelstoke's common shares are held by the principals of Venture Funding as well as other members of management. The remaining shares are held by Canadian institutional and individual shareholders with the exception of approximately 1% of the shares which are held by U.S. and foreign shareholders.

Parent Company Incorporation
Province of Alberta, Canada

Listing of Common and Preferred Shares
The Toronto Stock Exchange

Transfer Agents and Registrars
Common Shares
Montreal Trust Company
Calgary, Toronto, Montreal and Vancouver

Preferred Shares and Trustees for 6½% Debentures
Canada Permanent Trust Company
Calgary, Toronto, Montreal and Vancouver

Auditors
Price Waterhouse & Co.

Head Office
Revelstoke Companies Ltd.
Box 2501
508 - 24 Avenue S.W.,
Calgary, Alberta T2P 2N2
Phone (403) 266-6071

Annual Meeting
The Annual Meeting of Shareholders will be held at the Calgary Inn, Lakeview Room, 320 - 4th Avenue S.W., Calgary, Alberta on May 15, 1980 at 9:30 a.m.

Acknowledgements
The annual report was printed by Burnand Printing Company Ltd., Calgary Alberta.

All cartoons were drawn by George Booth of Stony Brook, New York.

The design and production of the annual report were primarily the responsibility of Craig Parr, Revelstoke's Advertising Manager, and Horst Heimbach of Burnand Printing Company Ltd.

Stock Market and Dividend Information

Common Stock Listed on Toronto Stock Exchange Symbol REV

FISCAL QUARTERS		STOCK PRICE HIGH	STOCK PRICE LOW	DIVIDENDS PER SHARE
1979	4th QUARTER	$10	$8-1/2	$ .15
	3rd QUARTER	13-3/8	9	
	2nd QUARTER	11-1/4	9-3/4	.15
	1st QUARTER	12	9-1/2	
1978	4th QUARTER	11-1/8	8-7/8	.11
	3rd QUARTER	8-3/8	7-1/2	
	2nd QUARTER	8	6-1/2	.09
	1st QUARTER	7-7/8	6-3/8	

Common share dividends are paid semi-annually on April 1 and October 1.

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