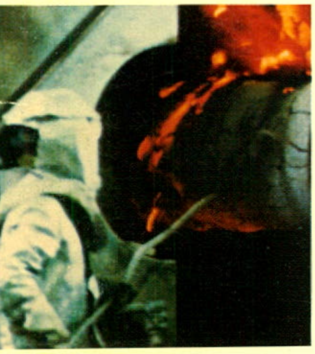
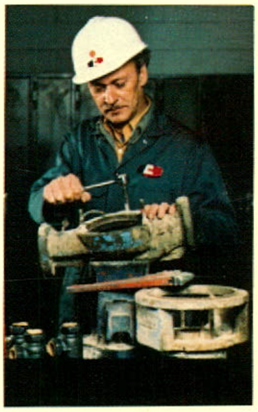
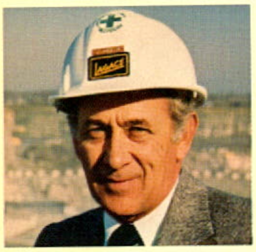
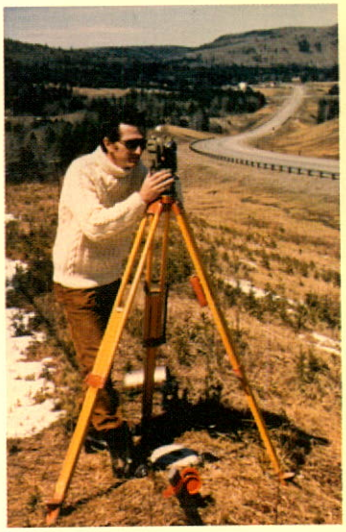
Canada Cement Lafarge Ltd.
Annual Report 1979

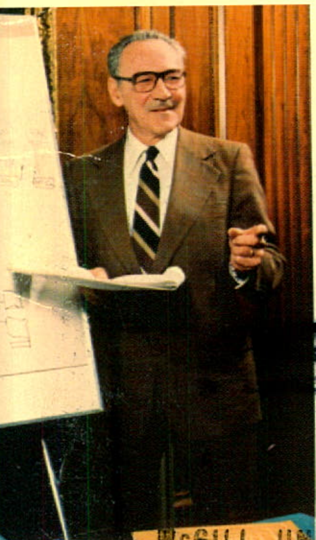












The Company

The Company commenced operations as a manufacturer of cement in 1909 under the name of Canada Cement Company, Limited. A successor company bearing the same name was incorporated in 1927, taking over its predecessor on a going concern basis. In 1970, the operations of the Company were merged with those of Lafarge Canada Ltd. with the Company's name being changed to its present form, Canada Cement Lafarge Ltd. (CCL). The combined resources of the two companies, deployed in a new decentralized organizational structure, resulted in expanded manufacturing facilities, a stronger financial base, improved marketing resources and a greater ability to carry out research and development. These factors have enabled CCL to maintain its leading position in the Canadian cement industry.

In 1973, the Company expanded its cement manufacturing operations into the United States and, as a result, Citadel Cement Corporation, a subsidiary now owns and operates two cement plants in Alabama.

CCL and its subsidiaries provide employment for some 5,000 people experienced in a variety of disciplines and professions related to construction, the manufacturing and marketing of cement, concrete and concrete products, aggregates, and other products and services needed by the construction industry.

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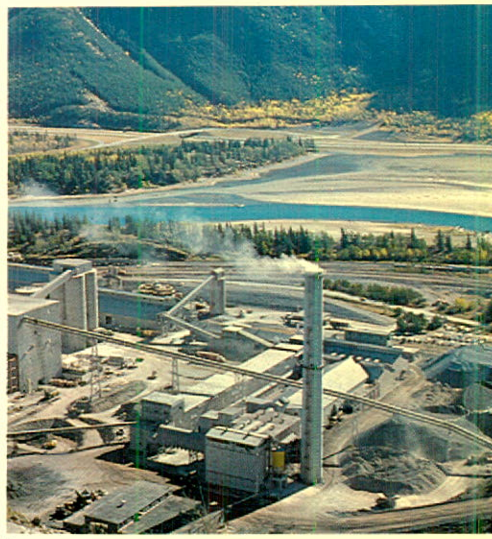

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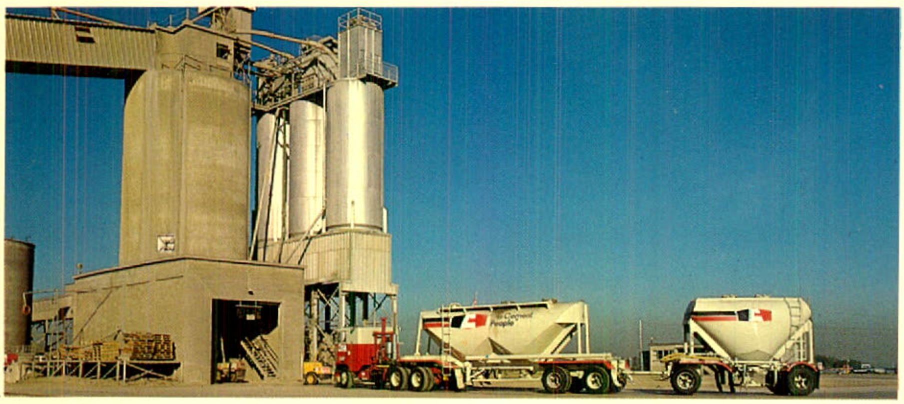

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With headquarters in Montreal, the Company maintains five regional offices across Canada; they are located in Halifax (Atlantic Region), Montreal (Quebec Region), Toronto (Ontario Region) Calgary (Western Region), and Vancouver (Pacific Region). The locations of all CCL's manufacturing and finishing plants, storage and distribution facilities as well as the sales offices can be found on page 1 of this Annual Report. During the last two decades, the make-up of the Company has evolved greatly through vertical integration, acquisitions and expansion. The scope of CCL's operations in concrete, construction and other allied industries can be found on pages 2 and 3.

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, 606 Cathcart Street, Montreal, Friday the 2nd day of May, 1980 at 10:00 o'clock in the forenoon.

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1. Bulk cement trucks arriving to load at the Edmonton finishing and distribution plant. 2. Bag and bulk truck shipping facilities are available at the Calgary warehouse. 3. Automatic cement bagging operation at the Saint-Constant, Que. plant. 4. Bagged cement being loaded on a barge at the Richmond, B.C. plant dock. 5. Panoramic view of the Exshaw, Alta. plant where an expansion program is in progress. 6. Gilbert Sabourin, Office Manager at the Saskatoon plant (left), and Harvey Burrows, Plant Manager (right) proudly displaying an enviable safety record.

Transfer Agent
Montreal Trust Company
Montreal, Toronto, Halifax, Winnipeg, Calgary & Vancouver.

Company shares are listed on the Montreal and Toronto Stock Exchanges.

Registrar
The Royal Trust Company

Auditors
Price Waterhouse & Co.

Edition française

On pourra se procurer le texte français de ce rapport annuel en s'adressant au Secrétaire de la société, B.P. 490, Succ. "B", Montréal, Qué., H3B 3K3

Cement Operations

In Canada, the Company operates nine cement manufacturing plants having a rated productive capacity of 5.3 million tonnes per year making it the largest producer. The Company also operates three cement finishing plants and has distribution terminals located strategically from coast to coast in Canada and in bordering areas of the United States. These facilities enable the Company to supply the construction industry with a wide range of high quality cements wherever and whenever required.

In addition to its five regional offices, CCL also maintains cement sales offices in all major Canadian cities.

Citadel Cement Corporation, a subsidiary of the Company, operates two cement plants located at Demopolis and Birmingham, Ala. These plants have a rated productive capacity of nearly one million tonnes, equivalent to about 1% of total industry capacity in the United States. Citadel also has distribution and storage facilities at Atlanta and Bainbridge, Ga., Mobile, Ala., New Orleans, La., Oswego, N.Y., and maintains sales offices at Atlanta, Ga., Birmingham, Ala., New Orleans, La., and Syracuse, N.Y.

CCL manufactures and markets under the brand name of "Canada-Lafarge", a variety of types of cement in addition to Normal Portland Cement, the basic ingredient in concrete, often referred to as a general purpose cement suitable for all uses when the properties of special Portland cements are not required. These special cements include "Canada-Lafarge" Sulphate resisting Portland Cement (Kalicrete); "Canada-Lafarge" Masonry Cement; "Canada-Lafarge" XXX High Early Strength Cement; "Canada-Lafarge" Oil-Well cements and Ciment Fondu. The Company can also supply White and Buff cements for architectural uses, a cement for concrete block manufacturing and other special cements such as Low-Heat and Low-Alkali cements for some types of construction work.

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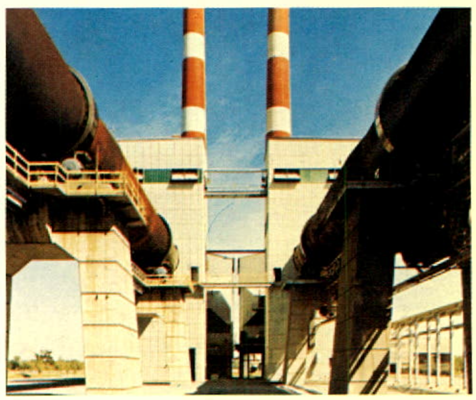

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Sales Offices

CANADA			UNITED STATES
Halifax, N.S.	Ottawa, Ont.	Saskatoon, Sask.	Atlanta, Ga.
Moncton, N.B.	Toronto, Ont.	Calgary, Alta.	Birmingham, Ala.
Quebec, Que.	Winnipeg, Man.	Edmonton, Alta.	New Orleans, La.
Montreal, Que.	Regina, Sask.	Vancouver, B.C.	Syracuse, N.Y.

Producing and Finishing Plants

CANADA			UNITED STATES
Brookfield, N.S.	Bath, Ont.	Exshaw, Alta.	Birmingham, Ala.
Havelock, N.B.	Woodstock, Ont.	Edmonton, Alta.	Demopolis, Ala.
Montreal East, Que.	Fort Whyte, Man.	Kamloops, B.C.	
Saint-Constant, Que.	Saskatoon, Sask.	Richmond, B.C.	

Storage and Distribution Terminals

CANADA			UNITED STATES
Albany, P.E.I.	Whitefish River, Ont.	Comox, B.C.	Grand Forks, N.D.
Chatham, N.B.	Thunder Bay, Ont.	Fort St. John, B.C.	Atlanta, Ga.
Quebec, Que.	Regina, Sask.	Fort Nelson, B.C.	Bainbridge, Ga.
Ottawa, Ont.	Calgary, Alta.	North Vancouver, B.C.	Mobile, Ala.
Toronto, Ont.	Clinton, B.C.	Victoria, B.C.	New Orleans, La.
			Oswego, N.Y.

__1.__ The bulk transport vessel English River discharging its cargo at the Toronto terminal. __2.__ The huge mobile crusher in operation in the plant quarry at Bath, Ont. __3.__ The expanded Brookfield, N.S. plant, the productive capacity of which was increased to 485,000 tonnes per year in 1978. __4.__ The Steep Rock, Man. limestone quarry, located 150 miles (250 km) north of Winnipeg, supplies one of the key raw materials used in manufacturing cement at the Fort Whyte, Man. plant. __5.__ View of the 2 kilns at the Saint-Constant, Que. plant which have a combined productive capacity of 955,000 tonnes per year.

Concrete, Construction and Other Operations

While cement remains the Company's principal product, acquisitions of other companies since 1961 have expanded its scope of operations to include the production and marketing of ready-mixed concrete, aggregates, asphalt, precast and prestressed concrete, concrete block, concrete pipe, pipe coating materials and certain other products used by the construction industry. In addition, some of the Company's subsidiaries are involved in road building, paving, and other types of construction.

Subsidiaries

Canfarge Ltd., through a number of divisions and subsidiaries, is engaged in concrete and construction operations on a national basis. Francon is a large division which operates ready-mixed concrete and asphalt plants and markets aggregates and offers construction services in Montreal and in Ottawa. It is also engaged in the construction of roads, dykes and dams throughout Quebec (i.e. James Bay). Francon is in the precast and prestressed concrete business in Montreal where it produces concrete floor slabs, panels, columns, bridge girders, railway ties and a variety of other precast concrete products.

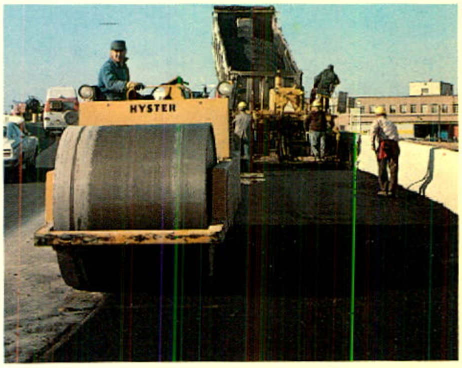
Lafarge Béton operates a large ready-mixed concrete plant in Montreal while Lagacé, another division of Canfarge, is involved in ready-mixed concrete, asphalt and aggregates also in the Montreal area. The subsidiary in Quebec City is Dominion Ready-Mix.

In Ontario, one of the principal divisions is Permanent Concrete which operates nine ready-mixed concrete plants in Eastern Ontario with asphalt available at some of these plants. Permanent also has ready-mixed concrete plants at Sept Iles, Quebec, and at Moncton and Saint John in New Brunswick. It also operates aggregate quarries at Brockville and Cornwall in Ontario, at Blagdon in New Brunswick and at Folly Lake in Nova Scotia.

Another important Permanent Concrete activity is the manufacture of pipeline weights at Edmonton and at job site locations in Western Canada and Ontario. Anchor Wate with head office in Houston, Texas operates a pipe coating plant at Belle Chasse, Louisiana. Permanent Concrete Inc. has two ready-mixed concrete plants at Houston, Texas. These units operate under the direction of the Permanent Concrete Division. Richvale in the Toronto area has five ready-mixed concrete and two concrete block plants.

Conmac is a well diversified division operating out of Calgary with two ready-mixed concrete and asphalt plants in that City, a ready-mixed plant at Fort MacMurray, and portable plants where needed. It is also engaged in road, curb, gutter and sidewalk construction and sells aggregates throughout Alberta and Saskatchewan. Canada Concrete is another division with ready-mixed concrete plants and aggregates in Regina and Saskatoon.

A large partly owned subsidiary is Alberta Concrete Products Co. Ltd., with headquarters in Edmonton. It carries out fully integrated aggregate, concrete and concrete products, asphalt and road construction operations in Alberta, in conjunction with its wholly-owned subsidiaries, Crown Paving & Engineering Ltd., Crown Aggregates and Lethbridge Concrete Products Ltd.



Lafarge Concrete operates ready-mixed concrete plants on the West Coast and on Vancouver Island. It is also in the concrete block and pipe business and sells aggregates.

Principal Associated Companies

The expansion of CCL's scope of operations has also taken place through investments in various associated companies. The first and largest is Standard Industries Ltd. with headquarters in Toronto. This Company supplies the construction industry with aggregates, ready-mixed concrete, concrete pipe and block and other products; it also operates as a paving contractor. Its area of operation covers south-western Ontario, Nova Scotia and Northern New York state. In February 1979, it acquired Little Giant Products, Inc., and fork-lift equipment manufacturer

Financial Highlights

	1979	1978	Increase (Decrease)
Sales	**$618,297,000**	$535,337,000	15%
Net earnings	**$ 36,249,000**	$ 26,461,000	37%
Funds generated from operations	**$ 75,082,000**	$ 57,321,000	31%
Working capital	**$ 87,645,000**	$109,044,000	(20%)
Long term debt	**$169,395,000**	$175,169,000	(3%)
Shareholders' equity	**$306,393,000**	$284,321,000	8%
Common shares outstanding	**18,582,662**	18,582,542	–
Number of common shareholders	**6,461**	6,467	–

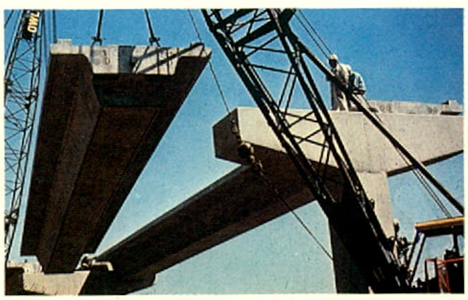
Per Common Share

	1979	1978	Increase (Decrease)
Net earnings – first quarter	**$ (.28)**	$ (.26)	
– second quarter	**$ .50**	$ .39	28%
– third quarter	**$1.07**	$ .78	37%
– fourth quarter	**$ .60**	$ .45	33%
	$1.89	$1.36	39%
Funds generated from operations	**$3.98**	$3.02	32%
Dividends paid	**$0.70**	$0.60	17%
Shareholders' equity	**$15.03**	$13.85	9%
Return on shareholders' equity	**13.1%**	10.1%	

Valuation day values of the Company's common and preference shares were as follows:
Common shares: $11.66 Preference shares: $19.75

Fred Hill, Plant Manager of Richvale's New Market plant in conversation with driver, Charles Greenwood.

Allister McNaughton Ferguson, a ready mix concrete truck driver for Conmac, Calgary.



located in Peoria, Illinois with branches in California and Belgium.

Supercrete Inc. is another important associated Company with headquarters in Winnipeg. It is involved primarily in ready-mixed concrete, aggregates and concrete products in Manitoba and Alberta.

In Quebec, there is Construction St-Paul Limitée which operates an integrated aggregate, ready-mixed concrete and construction business in the Eastern Townships region of the province.

In 1975, a 33% interest was acquired in Lafarge Conseils et Études, the parent Company of Lafarge Consultants Ltd., a Canadian organization formed to provide consulting engineering services to the Company and other clients.

Other Associated Companies
CCL also has a minority interest in a number of other companies of various sizes, all engaged in the manufacture and marketing of products and services needed by the construction industry.

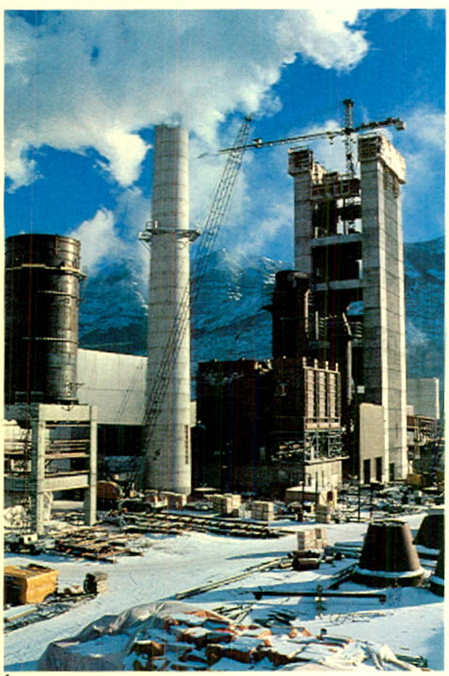
Report to the Shareholders

We are pleased to present the Annual Report of the Company for the year ended December 31, 1979.

Operating Results

Operations in 1979 resulted in net earnings of $36,249,000 ($1.89 per common share) compared to $26,461,000 ($1.36 per common share) in 1978. This improvement was almost entirely attributable to our Canadian cement operations, which had record levels of production and sales. We were able to take advantage of the nationwide distribution of our plants to offset a weak economic environment in some parts of Canada and increase exports to the United States.

Preliminary figures indicate that construction activity in Canada increased in 1979 by 2% in constant dollars. The non-residential sector which accounts for two-thirds of total construction spending posted an estimated real growth of 6%, which was partly offset by a 6% decline in housing expenditures as housing starts during the year dropped to 197,000 units, the lowest level since 1970.



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Cement consumption in Canada amounted to 8.8 million tonnes, a level virtually indentical to that achieved in both 1978 and 1977. Consumption rose in the western provinces, declined in Ontario and remained level in the eastern provinces.

Shipments of cement and clinker from our Canadian plants increased by 7% for the second consecutive year. Exports alone increased by 27% to represent 22% of total volume sold. Shipments from Citadel Cement plants in Alabama were adversely affected by a decline in construction activity in the second half of 1979 and by lower sales to destinations outside of Citadel's natural market area which were particularly strong in 1978 due to an overall shortage of cement in the southern part of the United States.

Sales volume of concrete products by our various subsidiary companies were generally lower than in 1978 as buoyant activity in Alberta was offset by reduced volumes in Montreal and Vancouver. Billings for road and other construction work increased, primarily due to work done by our Conmac Division in the Calgary area and by Francon at James Bay. Most operations benefited from the extended construction season made possible by favourable weather in the last two months of the year. In the United States, a ready-mix operation was successfully started in Houston, Texas in July 1979 and Anchor Wate recorded higher sales from pipeline coating work carried out at its New Orleans, Louisiana plant.

The above factors, together with price increases on most products, resulted in our consolidated sales increasing by 15.5% to $618 million.

Pretax profit rose by 41% to $57.6 million and represented 9.3% of sales compared to 7.6% in 1978. This improvement stems from higher cement sales volumes and prices and also reflects the favourable impact on costs of running most plants close to maximum practical capacity. In addition, progress made in fuel consumption efficiency and plant productivity helped reduce the impact of rising costs of energy and labour.

For these reasons we were able to keep the increase in the cost of production of cement to 7%, a figure significantly below the increase in the price of fuel at most plants and the contractual increase in hourly labour rates.

Depreciation and depletion expense rose by 17.5% to $28.9 million reflecting increased production of cement and the first full year of depreciation on the new kiln at Brookfield, Nova Scotia.

Net interest expense on both short and long term borrowings increased by 11% mainly as a consequence of a significant rise in interest rates.

Equity income from our investments in partly owned associated companies rose by 15% to $4.1 million. Our share of Standard Industries' earnings increased by 8% to a record level of $3.3 million while the contribution from our interest in Lafarge Conseil et Études also improved to reach $.6 million. Supercrete, however, incurred a small loss due to adverse weather conditions and reduced construction activity in Winnipeg. We are hopeful that an improvement in market conditions in Winnipeg, along with the amalgamation of our McCurdy Division into Supercrete, will result in improved performance and a return to a satisfactory profit position in 1980.

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Capital Expenditures
Capital expenditures in 1979 amounted to $71.7 million, approximately half of which was spent on the expansion of our cement plant at Exshaw, Alberta. The new 600,000 tonne capacity kiln is expected to come on stream in late 1980 and will provide sufficient production for the growing Alberta market, thereby eliminating costly transfers of cement from other regions.

A further significant expenditure in 1979 was the purchase of approximately $11 million of mobile equipment by our Francon Division, which will be used initially for work at James Bay.

In 1980, expenditures on fixed assets are expected to amount to $75 million, of which about $34 million will be spent on the completion of the new kiln at Exshaw. The balance of the program includes barges and loading and storage facilities for Citadel's Demopolis plant and expenditures for productivity improvements and environmental control in cement plants as well as for replacement or addition of mobile equipment for our concrete and construction operations.

Financial Position
Our overall financial position remains satisfactory. Funds generated from operations in 1979 rose by 31% to $75.1 million, equivalent to $3.98 per common share compared to $3.02 per share in 1978.

Long term debt was reduced by $5.8 million during the year and represented 29.9% of total invested capital compared to 32.5% at the start of the year.

Working capital decreased by $21.4 million during the year to $87.6 million, and the resulting ratio of current assets to current liabilities at year end was 1.75 compared to 2.36 at December 31, 1978. This was primarily due to the planned sale of short term securities held at the beginning of the year for the financing of our 1979 capital expenditure program.

The Company has recently issued 5 million Series A $1.17 Convertible Redeemable Second Preference shares. The net proceeds of this issue, estimated at $72.9 million, will increase the Company's equity base and strengthen our ability to finance future expansion of facilities, acquisitions or investments. We are continually reviewing opportunities in this regard in both Canada and the United States, but no specific expenditures have been decided upon. In addition, the Company has lines of medium and long term bank credit amounting to $45 million which are also available to finance capital outlays.

Dividends
Quarterly dividends were paid on both the common and preference shares for the twenty-ninth consecutive year in 1979. Reflecting the improvement in earnings, the quarterly rate was increased by 5¢ to 20¢ per common share in August 1979.

Employee Relations and Personnel
It pleases us to report that 1979 was a good year in labour relations both in the construction industry in general and in our own operations which were not affected by any major work interruptions. We are optimistic that this climate can be maintained to the advantage of our customers, employees and shareholders for the

__1.__ Recent photo of kiln 5 construction at the Exshaw plant. __2.__ General view of new construction at Exshaw. __3.__ A new dust collecting installation at the Richmond, B.C. plant. __4.__ Bulk cement trucks leaving the storage facilities at Exshaw. __5.__ The R.B. Hall Shield, awarded to the best First Aid Team in the Company went to the Havelock, N.B. plant team in 1979. Seated (l to r) H.L. Kierstead, R.M. Hoar, Team Captain. Standing (l to r) W. Cruickshank, J.R. Stark, G.A. Taylor, C.M. Mills. __6.__ The safety trophy at the Woodstock, Ont. plant with the storage silos in the background. __7.__ Energy conservation is one of CCL's prime concerns.


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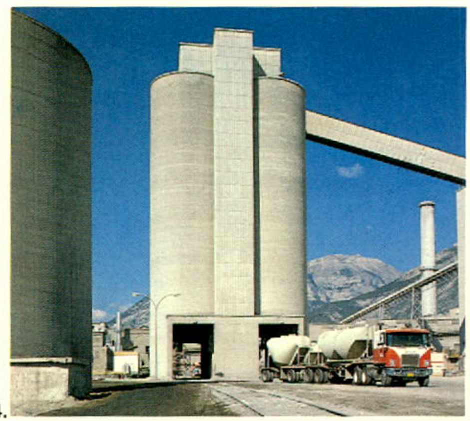
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period ahead when cooperation and stability will be required.

An in-house Management Training program was implemented for middle management of the Company in 1979 augmenting existing programs for development of the Company's human resources.

The Hull Terminal was closed on December 31st, 1979 and the affected employees either have been transferred to other responsibilities or have opted for special early retirement and termination benefits.

Providing a safe working environment for our employees continues to be a high priority and it was rewarding to find two of our operations ranked in first position, in their respective group, on the 1979 Safety Honor Award list prepared by the Portland Cement Association whose membership includes 43 companies on this continent. Our cement plant at Havelock, New Brunswick and our quarry at Steep Rock, Manitoba completed 24 and 31 safe years of operation respectively, an achievement of which we are all proud.

Board of Directors

On October 1, 1979 Mr. Samuel M. Kinney, Jr., a member of the firm Hannock, Weisman, Stern, Besser, Berkowitz and Kinney (counsellors-at-law) in Newark, N.J. and Mr. Patrick J.J. Rich, President and Chief Executive Officer of Aluminum Company of Canada were appointed directors of the Company in replacement of The Honourable Jacques Flynn, who resigned following his appointment in July 1979 as Minister of Justice of Canada and Mr. Pierre Messier, Vice-President, Secretary and General Counsel, who served as director on a temporary basis since January 1, 1979.

We are most grateful for the contribution made by The Honourable Jacques Flynn in the 12 years he served the Company as a Director and associate.

Officers

Mr. Alpin O. Drysdale, Vice-President, Corporate Projects, retired on August 31, 1979 after thirty-eight years of loyal service with the Company during which he contributed significantly in many areas of the Company's operations.

Reflecting a reorganization of the Treasury Department, the following nominations became effective October 1, 1979: Mr. Donald S. McRae, formerly Vice-President and Comptroller became Vice-President and Treasurer. Mr. Patrick G. Bavière was appointed Vice-President and Comptroller. Both report to Mr. Peter Jongeneel, Executive Vice-President, Finance.

On March 1, 1980, Dr. William S. Weaver, previously Manager of Research and Development, was appointed Vice-President, Research and Development.

Outlook

The outlook for the Canadian economy in 1980 is for continued slow economic growth. Construction activity is expected to show only a slight gain, with growth in non-residential expenditures, particularly in mining and energy related sectors, being offset by a further weakening in the residential sector as housing starts are dampened by continuing high interest rates and high levels of inventories in some parts of the country.

In the United States, there are indications that the economy is heading for a recession in 1980. Capital spending by business which has been relatively strong, could be adversely affected by a slowdown in economic activity. The housing sector, which is currently very depressed, is not expected to deteriorate much more and could actually recover somewhat in the latter part of the year if interest rates, after having peaked, come down to a more moderate level.

While construction activity in most of our operating areas will not be particularly bouyant, we are hopeful that we can achieve in 1980 some further progress in earnings for the following reasons:

- Strong demand for cement in western Canada and continued shipments to the United States should enable us to maintain the high level of cement production achieved in 1979.
- The operations of Citadel should show some improvement from increased penetration in markets currently being developed.
- Our Concrete and Construction divisions are well poised to participate in increased contract work related to mining, oil and gas activity. They will also benefit from contracts recently started at James Bay and in the Montreal area. Moreover, higher sales volume of concrete products are projected in Winnipeg, Vancouver and Houston for its first full year of operation.

As we enter a new decade, it might be appropriate to review briefly our competitive position.

We operate in a market which covers the North American continent, the most attractive for the 1980s when one considers size, stability and spending power. We have developed a strong position in Canada, with a good base to participate in the growing western Canada market, with competitive plants in central Canada and with the only two plants in the Maritime provinces.

The natural market area of some of these plants extends to the northern tier of the United States. From this base, with the addition of Citadel operations, we have ample scope to grow and develop in the United States.

Cement, our basic product, is a very competitive building material. It has a low cost (2 to 3 cents per pound) and a low energy content when compared to other building materials, such as steel, aluminum, plastics or asphalt. The versatility and adaptability of the finished product, concrete, allow it to be placed, cast and molded in any conceivable shape. The development of a network of concrete and construction operations throughout Canada has allowed us to be directly involved in the production and marketing of these end products and profit from their sale.

We have, over the past seven years, brought into production almost 3 million tonnes of new cement productive capacity – more than any other cement manufacturer in North America. We built these plants at a cost much lower than our competitors who, in many instances, are only starting this process now. As a result, 50% of our plants have been built since 1970 and 70% of production utilizes the energy efficient dry process method.

To carry out these programs and those contemplated in the future, we can rely on technical expertise and know-how developed within our management team and by our consulting arm, Lafarge Consultants Ltd., which in addition to our major projects is involved in the design, construction and start-up of cement producing facilities for other companies in the United States, South America and the Middle East. We can also draw on the experience and technical knowledge of our major shareholder, the Lafarge Group, which operates 56 cement plants on a worldwide basis.

For all these reasons, we look at the coming decade with excitement and confidence and are convinced that our Company is well positioned and has the resources, both human and financial, to grow and develop in North America.

Acknowledgements
In closing, we would like to express our sincere appreciation for the efforts of our employees during the year and thank our many customers, suppliers and shareholders for their continuing support.

ON BEHALF OF THE BOARD:

JOHN D. REDFERN
President and Chief Executive Officer

PETER M. McENTYRE
Chairman of the Board

Montreal, Quebec, March 28, 1980

John D. Redfern

Peter M. McEntyre

Human Resources at CCL

The employees and their career achievements.

The year 1980 is dedicated to our most precious resource – our employees. What does it mean to be an employee of Canada Cement Lafarge Ltd.? To the men and women who work for our Company, it may denote as many different things as there are individuals – working for a leader in its field, stability, challenge, rewards, benefits, the opportunity to put learned skills to use and to master new ones. The Company, too, recognizes that in addition to fulfilling the economic and social needs of its people, it must respond to the increasing demand that one's job be satisfying by providing a sense of accomplishment, an opportunity to learn and progress – promoting an "esprit de corps." Only through planned recruitment and by encouraging our people to develop their potential may they and the Company continue to progress and to maintain a position of leadership in the industry. To this end, CCL has committed specific resources to the following programs:

- A formal apprenticeship program which is the first in the Canadian Cement Industry
- Company-sponsored educational programs by correspondence or attendance in classes
- Supervisory training programs
- Technical training seminars
- A new, in 1979, in-house Management Development Program

In addition to the above, our employees enjoy equitable compensation and fringe benefits, a safe working environment through promotion of sound principles of accident prevention and a variety of recreational programs.

Canada Cement Lafarge will continue to emphasize and expand these programs as requirements are perceived because our employees are indeed the Company's most precious resource. Their capabilities at work and their active participation in professional associations have in a great measure contributed to our success at Canada Cement Lafarge. Many have demonstrated their talents and ingenuity in their private lives through involvement in community work, participation in cultural activities, sports and interesting hobbies. The Company is proud to present some of the many who have done so.

Albert William Peter Jennings
Sales Manager, Alberta, Saskatchewan & Northwest Territories.
Peter has been with CCL since June 1, 1956 and has spent his career in sales work in the Prairie Provinces. He worked as Sales Representative in Winnipeg and Regina and Sales Manager & District Sales Manager, Saskatchewan at Saskatoon and District Sales Manager at Edmonton until his appointment to his present position. Active in a variety of organizations, Peter has held the following positions: President – Saskatoon Board of Trade; Chairman – Saskatoon Industrial Advisory Board; Chairman – Canadian Chamber of Commerce – Prairie Region Committee; Director – Prairie Ready Mix Concrete Association; Vice-President – Saskatoon Chapter of Canadian Institute of Mining; Vice-President – Alberta Chamber of Commerce and currently President – Edmonton Chamber of Commerce.

William Strathern Weaver, PhD, Sc
Vice-President, Research & Development.
Bill joined the Company in September 1946 as a Research Engineer. He was then appointed Chief Chemist, Manager of Research & Chief Chemist, Manager of Research & Quality Control, Manager of Research & Development and more recently Vice-President, Research & Development. He is an active member of the Chemical Institute of Canada, Order of Chemists of the Province of Quebec, Canadian Standards Association, Canadian Government Specifications Board, American Society for Testing & Materials, American Concrete Institute, American Ceramic Society, American Petroleum Institute, Portland Concrete Association – General Technical Committee and Board Committee for Research & Development and Ciments Lafarge – Comité permanent de la Recherche. The American Society for Testing & Materials, particularly, has conferred honors on Dr. Weaver. In 1970 he received the P.H. Bates Award from Committee C-1 on cement and was made a Fellow of the Society. At the most recent meeting in San Diego, the cement Committee of ASTM made him an Honorary Member of the Committee in recognition of his work on that Committee.

John V. Tittley
Manager, Corporate Communications
In his 34th year of service, John was, for many years, Sales Promotion and Advertising Manager and he devoted most of his career to the promotion of the use of concrete and the Company's products. Eleven of the advertising campaigns he directed over the years won national and international awards of "Excellence." Active in professional associations of communicators, he has held the following key positions during his career: President of the Canadian Circulations Audit Board Inc.; President, Montreal Chapter of the Business/Professional Advertising Association – Vice-President of the International B/PAA; Vice-Chairman of the Board of the Association of Canadian Advertisers; Director of the Advertising & Sales Executives Club of Montreal. He delivered addresses on corporate and marketing communication at World conferences in Amsterdam, London, Houston and Toronto. John has also written a number of articles on marketing, advertising and communication and he has given lectures to marketing and communications students at some Canadian universities. Since April 1978, he has been responsible for the corporate communications and image building function for CCL.

Ronald E. Hicks
Apprentice Machinist Havelock N.B. plant.
Ron's career with the Company started in 1951 when he did concrete inspection work during the construction of the Havelock plant. When the plant began operations he served as Physical Tester in the quality control laboratory, a position he held until 1975 when he made a career change and became a Welder. He has been a Machinist Apprentice since April 1979. The evolution of his work at the plant is undoubtedly related to his most unusual hobby "aircraft building". He has already built three aircraft which he flies with a great deal of enthusiasm, having logged over 1,400 hours or about 105,000 miles.

Secundo Smaniotto
Blacksmith, Exshaw Alberta plant.
Secundo is a burly blacksmith by day and a gold winning artist in his spare time. He will complete 30 years with CCL on May 9, 1980.
In his workshop behind his Canmore, Alta., home he turns out real works of art in wrought iron. A beautifully designed rooster, weighing 35 pounds, standing 24 inches tall on an 18-inch stand, won the gold medal in the 1965 International Craft and Hobby Show at the Pacific National Exhibition in Vancouver. In 1962, the only other time he displayed his metal-craft work at the Vancouver Exhibition, he won the top award. His work also has been displayed at the Calgary Allied Arts Centre and the Albertacraft Show in Edmonton.
His subjects range from chandeliers, through fire screens, fireplace sets, plaques, picture frames and candle holders to door knockers. Many examples of his work can be seen in various chruches, as well as in large hotels, motels and private homes.

Peter Ronald Green
Electronic Technician, Bath Ontario plant.
Since joining the Company in 1949, Peter has acquired experience in various departments, all related to the manufacture of cement at the old plant near Belleville. He worked as a Packer, a Miller in the raw mill section, a Kiln Burner, a Repairman and Mix Operator. His knowledge of plant operation allowed him to adapt to the more automated and sophisticated way of making cement at the modern Bath plant where he was transferred following its opening a few years ago.

Andrew William Gilliland
Assistant Branch Manager, Supercrete, Calgary Division.
Employed by Supercrete, one of our associated companies, since 1966, Andrew is an engineer who has left his mark in the construction industry through his active participation in professional construction associations. His main achievements are: Past President of the Manitoba Association of Professional Engineers; Director of the Canadian Council of Professional Engineers; Chairman of Manitoba's Building Standards Board Committee on building design and energy conservation in building construction; Member of the National Research Council Standing Committee on Energy Conservation in Buildings; Past President of the Canadian Prestressed Concrete Institute; Past member of the Council of the Winnipeg Builders Exchange.

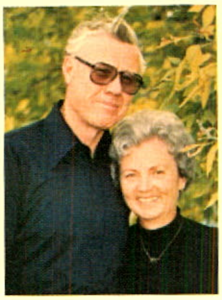
Josephine Mary (Josée) Winsor
Assistant Administration Manager, Pacific Region, Vancouver, B.C..
Josée joined the Company in 1968 as a Senior Secretary to the Vice-President Administration and Treasurer. Her firm desire to progress in the world of business gave her the incentive to take post-graduate studies at the University of British Columbia, where she received a diploma in Management Administration and Certified Administrative Manager Accreditation in 1971. These accomplishements led to her current position at CCL. In 1977 she received an Honours Diploma in General Insurance Essentials from the Insurance Institute of Canada. She is an active member of the Administrative Management Society and Risk and Insurance Managemen Society.

William Rex Ford
Vice-President, Lafarge Consultants Ltd. and Assistant to the President Vice-President of International Development of Lafarge Conseils et Études.
Rex joined the Company in November 1949 and he progressed from Design Draftman to Chief Engineer. He has occupied his present position with LCL since 1975 and was appointed Vice-President LCE in January 1980.
Rex travels extensively around the world advising both existing and potential clients on various aspects of design and construction of cement manufacturing facilities and promoting LCL/LCE services. The experience gained through many years of practical application of engineering principles has provided Rex with enviable expertise in the construction of cement plants.
He served for a five year term as Honorary Treasurer of the Engineering Institute of Canada. As a testimonial of his contribution to the engineering profession in Canada, Rex was awarded the Canada medal in 1977.

Clement John Leslie
Assistant Treasurer, Corporate Office, Montreal.
Clem has been with the Company since January 1971. He is an accredited Chartered Accountant from Scotland, his native country.
As Assistant Treasurer, Clem's work requires him to maintain his high level of knowledge regarding corporate taxation. As the tax specialist for the Company, he advises management on all aspects of this increasingly important side of modern business. In addition, Clem looks after cash management including short-term borrowing, investing and relations with the financial community. Clem is a member of the Order of Chartered Accountants of Quebec and the Ontario Institute of Chartered Accountants.

Lorne King
Leadman, Packing and Shipping Department and President of Union Local 368, Woodstock, Ont. plant. An employee since 1956, he has worked in the quarry and in the mill and kiln department, as a Repair Helper and he served 12 years as a Storeman, before assuming his present duties. Lorne has been active in union work for many years and he is currently serving a two year term as President of Local 368. This is the third time that he has served in that capacity. From 1970 to 1975 he was International Representative and worked fulltime for the Union, organizing and servicing locals. He has attended many labour seminars and several district and international conventions, the most memorable being the International Convention to which he was invited by the International President in recognition of his dedication to union work.

The Employees and their involvement in the community



Robert Kenneth McInnis and his wife Evelyn Doris. Bob is a Locomotive Operator at the Edmonton plant and he devotes much of his spare time to minor league hockey.

Leslie Marsh, General Superintendent, Conmac, Calgary. He is Sports Director and Promoter and he raises funds for worthy causes.

Richard Perron, Sales Representative, Quebec Region – actively involved in the scout movement for 20 years.

Robert Craig, Shift Foreman and Quarry Foreman at Exshaw. He is Secretary Treasurer of the local branch of the Royal Canadian Legion and President, Minor Hockey Association.

Allister McNaughton Ferguson, ready mix concrete truck Driver, Conmac – also involved in minor league hockey coaching and other community work.

Frank P. McNamara, Plant Manager, Demopolis, Alabama – President, Demopolis Kiwanis Club and member of the Hospital Board.

Roger and Margaret Alice Brick. Roger is Maintenance Foreman at the Fort Whyte, Man. plant. He was presented with a Blood Donor Certificate by Manitoba's Lieutenant Governor F.L. Jobin last September.

Dyson R. Waterbury, Shop Leadman, Havelock, N.B. plant – Chief of Petitcodiac Fire Department and Town Councilor.

Bill Schmidt, Credit Manager – Western Region, Calgary. President, Canadian Diabetes Association, Alberta Division. Gwen Prather is Managing Director of the Calgary Division.

James A. (Rusty) Logue, Shift Supervisor, Bath plant; Constable, Township of Thurlow in his spare time.

Réjean Lambert, Production Manager, Lafarge Béton, Montreal – School Commissioner, Organizer of student exchanges and Officer of soccer league in Laval, Que.

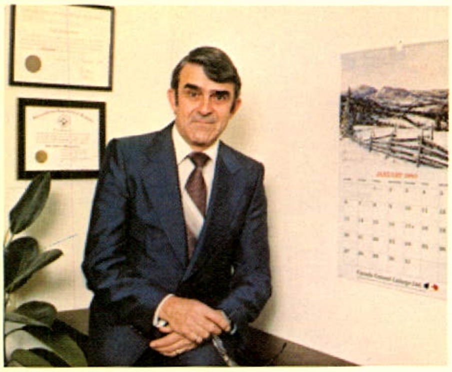
Pierre and Michèle Marcoux, Staff Assistant, Quebec Regional Office, Montreal. They made a french translation of a 200 page book on Leukemia.

Roy C. Watts, Manager of Production, Demopolis plant. First Vice President, Demopolis Kiwanis Club, and Director of the Demopolis Water & Sewage Board.

Lionel Morin, Production Manager, Entreprises Lagacé with wife Lucille and daughter Marie Andrée. Lionel received the Governor General's medal for services to the community (work for school commissions, rehabilitation of prisoners and alcoholics and youth movements).

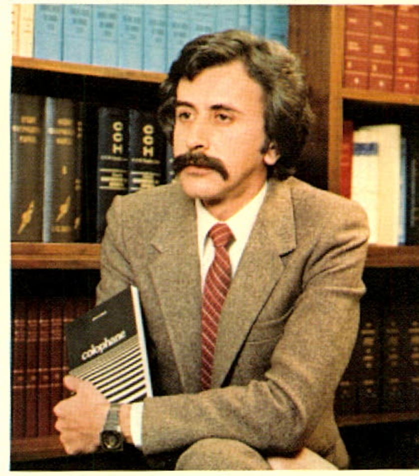
Their Artistic Talents and Success in Sports and Hobbies

Oleg Podymow, Manager, Loss Control, Corporate Office. Oleg is a talented landscape artist.



Doreen Gordon Dick, Office Services Supervisor, Vancouver Office. Doreen is involved in Amateur Theatre and past recipient of the Best Director Award in the Provincial Drama Festival of B.C.

Pierre A. Maltais, Manager of Legal Service, Corporate Office. Pierre is a talented poet.



John Anthony Ralph Hughes, Shipping Clerk, Toronto Warehouse. John is an accomplished musician – Conductor of orchestras, Musical Director, Choral Director and Pianist-Conductor in a variety of musical and theatrical productions.

Sandy McNeil, Accounts Payable Supervisor, Vancouver Office. She is a good amateur photographer.

Claudette Tremblay, Secretary, Corporate Office. She is an artist and craftswoman.

Pierre Shepherd, Mechanical Repairman, Saint-Constant plant. Pierre and his three children form the professional group "Orchestre Shepherd Inc."

Samuel Ervin Adams, Mechanical Inspector, Brookfield plant. Sam has won numerous trophies and medals for his Maritime target rifle shooting championships since 1969.

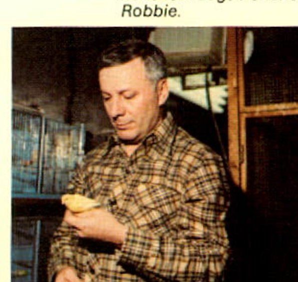
Bill Summers, District Sales Manager for the Province of Saskatchewan. Bill has won many awards as a hockey player and now as a coach for Saskatoon junior teams.

Sandra Thomson, Secretary, Corporate Office. She has won a variety of awards for her show dogs Poncho & Robbie.

Gil Mercier, Director of Process, Systems & Assistance Division of LCL. Gil won a gold medal in sailing at the Canada Games in 1977 and a silver medal at the Pan American Games in 1979.

Amar Singh Mangat, Estimator for Conmac, Calgary. He represented Kenya at the 1964 Olympic Games in Tokyo and he served as Technical Official at the 1976 Olympics.

Jean W. Desjardins, Vice-President & General Manager, Dominion Ready Mix, Quebec. His hobby is raising canaries and he has captured the Provincial Championship for 4 consecutive years.



Review of 1979 activities in Construction

1. Site One project under construction on the Peace River in British Columbia. 2. A new Agricultural Faculty building for the University of Alberta in Edmonton. 3. Residential construction was still very active in Alberta cities in 1979. 4. One of many new concrete office buildings under construction in Calgary. 5. Robson Square in Vancouver which incorporates the Law Courts Building and offices and attractive terraces was completed in 1979. 6. The expansion of residential sections of Edmonton calls for the construction of miles and miles of new sidewalks, curbs and gutters.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6.

1. A Conmac ready mix truck delivering concrete on a sidewalk and curb project in a new residential section of Calgary. 2. The rapid expansion of Calgary necessitates a modern system of highways. 3. A new highrise apartment building in Ottawa. 4. In 1979, further progress was made on the Point Lepreau, N.B. nuclear power complex on the Bay of Fundy. 5. A Richvale ready mix concrete truck delivering material at an apartment building site in Toronto. 6. LG2, the first dam and generating station to produce electricity from the James Bay power development in Northern Quebec, was officially opened in September last year. 7. This storm sewer construction project in Hamilton, Ont. is one of many underway in our major Canadian cities.

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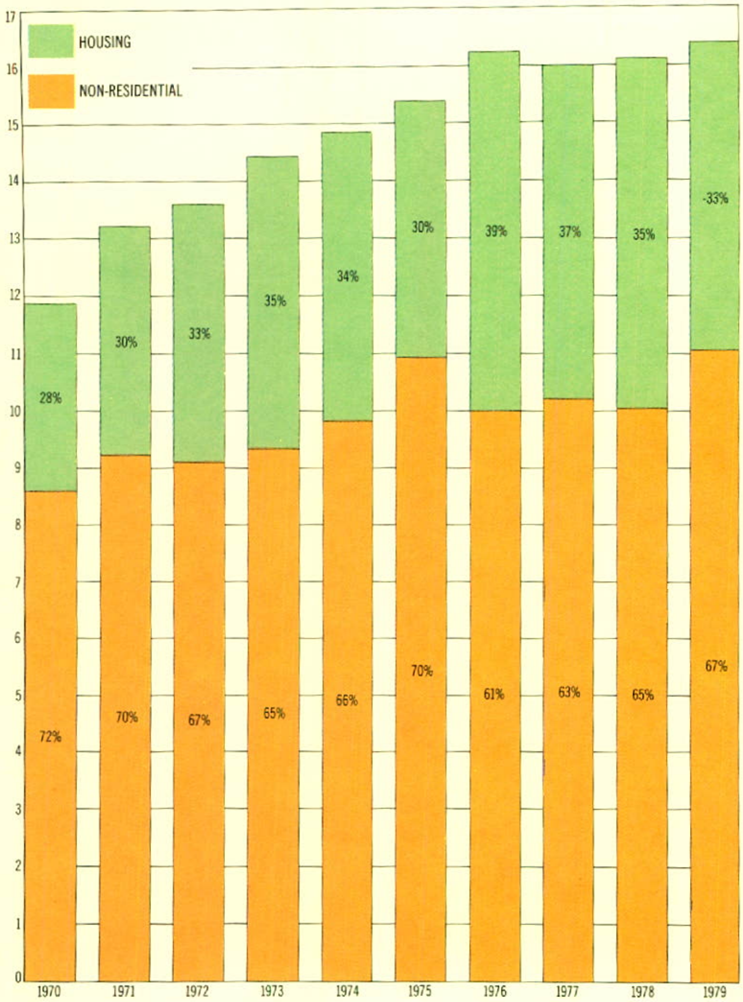
Construction and Cement Consumption in Canada

CONSTRUCTION INVESTMENT IN CANADA (EXCLUDING REPAIRS)

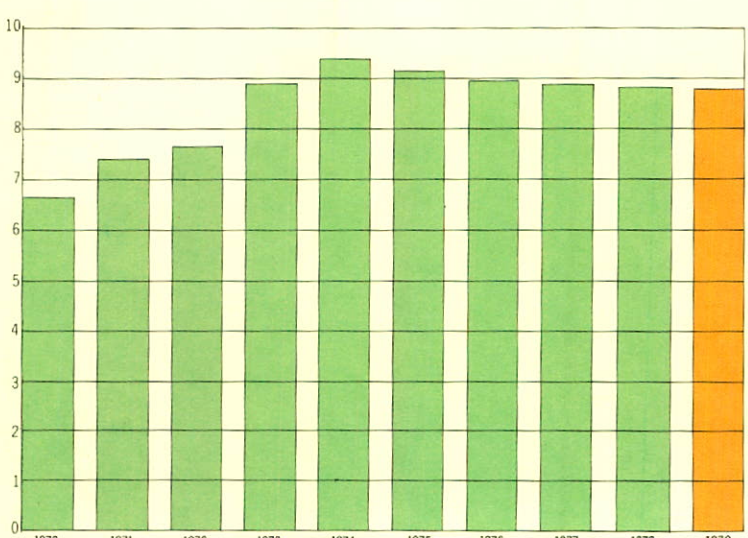
IN BILLIONS OF CONSTANT 1971 DOLLARS



AVERAGE ANNUAL INCREASE 1970-79 **3.6%** 1974-79 **1.9%**

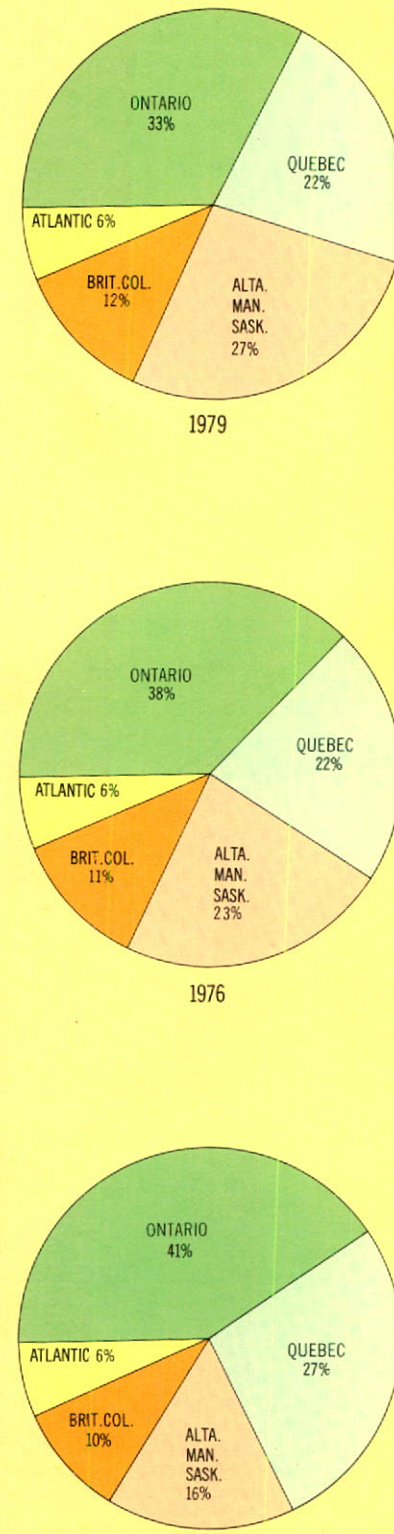
CEMENT CONSUMPTION IN CANADA

(Metric Tonnes)

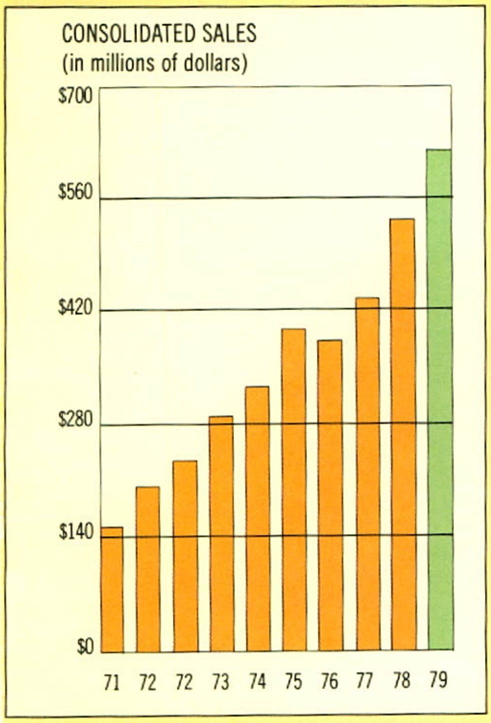


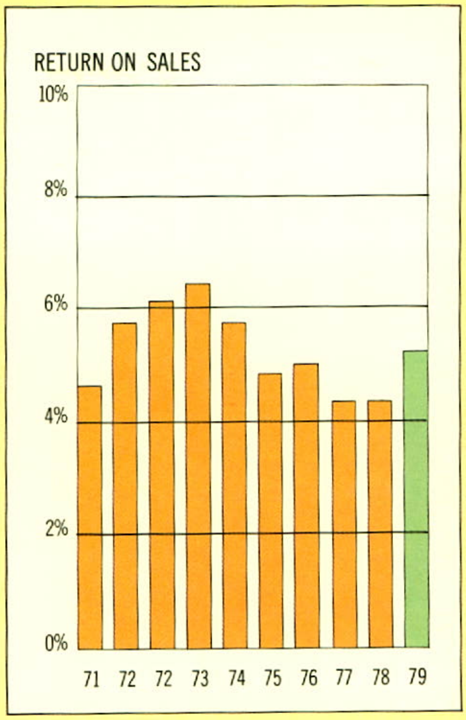
AVERAGE ANNUAL INCREASE 1970-1979 **3.2%**:

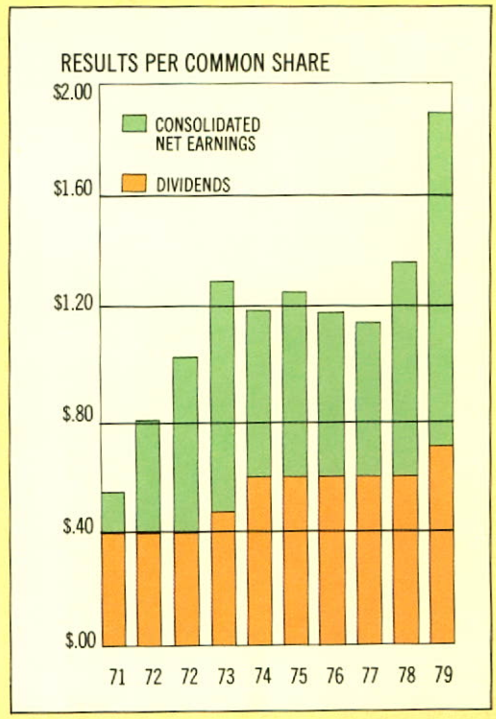
CEMENT CONSUMPTION BY AREA

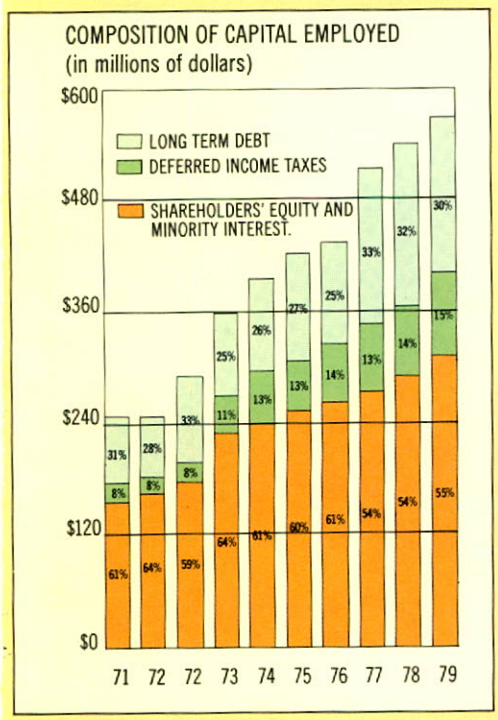


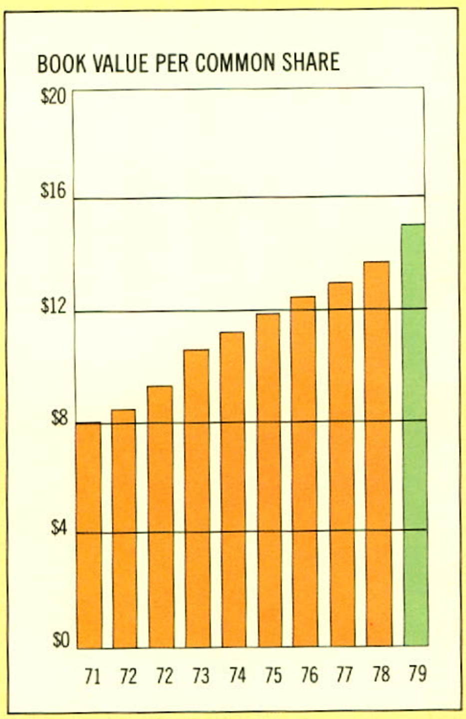
Ten Year Financial Highlights

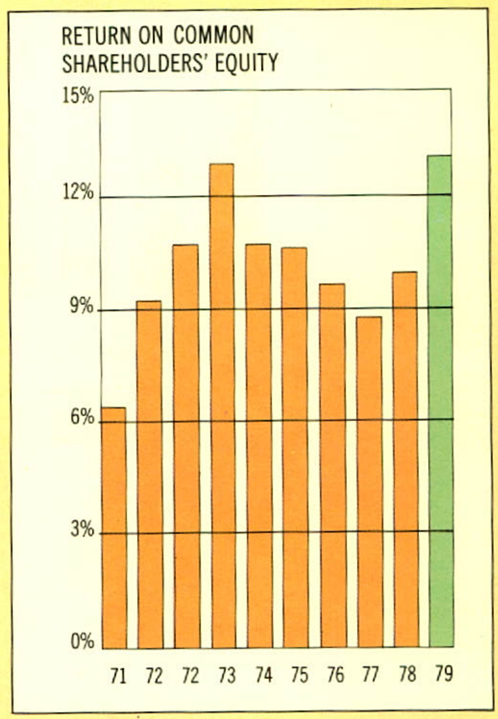












Notes:

1. The above charts cover the years ended April 30, 1971 and 1972 and December 31, 1972 through 1979. The four month period January 1 to April 30, 1972 is therefore included in both the fiscal and calendar 1972 columns.
2. Return on sales is based on earnings before equity in net earnings of associated companies, minority interest and extraordinary items.
3. Consolidated net earnings excludes extraordinary items.
4. Amounts per common share have been restated to reflect the four for one subdivision of shares carried out in May 1973.
5. Capital employed represents the total assets of the Company (at net book value) minus current liabilities.
6. The return on common shareholders' equity is based on consolidated net earnings before extraordinary items.

Canada Cement Lafarge Ltd.

Consolidated Statement of Earnings

For the year ended December 31, 1979
(in thousands of dollars)

	1979	1978
Sales	**$618,297**	$535,337
Costs and expenses:		
Cost of sales and other operating expenses	**467,155**	411,954
Depreciation and depletion	**28,868**	24,567
Selling, general and administrative expenses	**46,366**	41,416
Interest on bank and other short term debt, less income from short term investments	**2,427**	2,671
Interest on long term debt	**15,867**	13,849
	560,683	494,457
Earnings before the undernoted items	**57,614**	40,880
Income taxes	**24,633**	17,515
	32,981	23,365
Equity income	**4,119**	3,570
Net earnings before minority interest	**37,100**	26,935
Minority interest	**851**	474
Net earnings	**$ 36,249**	$ 26,461
Net earnings per common share	**$ 1.89**	$ 1.36

Consolidated Statement of Retained Earnings

For the year ended December 31, 1979
(in thousands of dollars)

	1979	1978
Balance at beginning of year	**$177,424**	$163,283
Net earnings	**36,249**	26,461
	213,673	189,744
Dividends–		
Preference shares–$1.30 per share	**1,170**	1,170
Common shares–$0.70 per share ($0.60 in 1978)	**13,008**	11,150
	14,178	12,320
Balance at end of year	**$199,495**	$177,424

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

Consolidated Balance Sheet
as at December 31, 1979
(in thousands of dollars)

Assets

	1979	1978
CURRENT ASSETS:		
Short term securities, at cost (which approximates market value)	**$ 2,086**	$ 24,579
Accounts receivable	**105,408**	86,884
Inventories	**93,188**	73,602
Prepaid expenses	**3,731**	4,341
	204,413	189,406
INVESTMENTS AND OTHER ASSETS:		
Long term receivables	**3,730**	3,435
Marketable securities held in Preference Dividend Maintenance Fund, at cost	**2,340**	2,340
Investments in associated companies	**38,202**	34,884
	44,272	40,659
FIXED ASSETS (Note 2)	**425,078**	378,057
DEFERRED CHARGES AND INTANGIBLE ASSETS:		
Unamortized debt financing expense	**1,727**	1,916
Excess of cost of investment in subsidiaries over net tangible assets at dates of acquisition	**5,952**	6,101
Unrealized loss on translation of long term debt	**2,651**	3,778
	10,330	11,795
	$684,093	$619,917

Liabilities

	1979	1978
CURRENT LIABILITIES:		
Bank indebtedness	**$ 18,072**	$ 16,235
Accounts payable and accrued liabilities	**75,597**	51,379
Income and other taxes payable	**18,200**	11,177
Current portion of long term debt	**4,899**	1,571
	116,768	80,362
LONG TERM DEBT (Note 3)	**169,395**	175,169
DEFERRED INCOME TAXES	**85,755**	75,100
MINORITY INTEREST	**5,782**	4,965
SHAREHOLDERS' EQUITY (Note 4):		
Capital Stock–		
Preference shares	**18,000**	18,000
Common shares	**88,898**	88,897
	106,898	106,897
Retained earnings	**199,495**	177,424
	306,393	284,321
ON BEHALF OF THE BOARD:	**$684,093**	$619,917

J.D. Redfern, Director

P.M. McEntyre, Director

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

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1979
(in thousands of dollars)

	1979	1978
FINANCIAL RESOURCES WERE PROVIDED BY:		
Net earnings	**$ 36,249**	$ 26,461
Depreciation and depletion	**28,868**	24,567
Deferred income taxes	**11,015**	6,728
Other	**(1,050)**	(435)
Funds generated from operations	**75,082**	57,321
Net proceeds from issues of long term debt	**4,000**	19,050
Decrease (increase) in long term receivables	**(296)**	701
	78,786	77,072
FINANCIAL RESOURCES WERE APPLIED TO:		
Additions to fixed assets – net	**71,685**	24,145
Reduction in long term debt	**10,144**	15,402
Investments in associated companies	**1,611**	–
Investments in subsidiary companies	**2,567**	–
Dividends–		
Preference shares	**1,170**	1,170
Common shares	**13,008**	11,150
	100,185	51,867
Increase (decrease) in working capital	**(21,399)**	25,205
Working capital at beginning of year	**109,044**	83,839
Working capital at end of year	**$ 87,645**	$109,044

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

Auditors' Report

To the Shareholders of
Canada Cement Lafarge Ltd.:

We have examined the consolidated balance sheet of Canada Cement Lafarge Ltd. as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. For Canada Cement Lafarge Ltd., its subsidiaries and certain associated companies, 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. We are not the auditors of certain associated companies including the principal associated company, and in respect of these companies we have relied upon the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation 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 on a basis consistent with that of the preceding year.

Montréal, Québec
March 4, 1980

PRICE WATERHOUSE & CO.
Chartered Accountants

Notes to Consolidated Financial Statements
as at December 31, 1979

Note 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all subsidiary companies except for one minor partly owned subsidiary which is held as a temporary investment. The Corporation also holds share interests of between 33% and 50% in various associated companies, the most important investment being a 49.99% share interest held since 1959 in Standard Industries Ltd. The associated companies are engaged primarily in the manufacture and sale of ready-mixed concrete, other concrete products and aggregates. The Corporation accounts for these investments under the equity method.

All acquisitions of subsidiary companies have been accounted for by the purchase method. The cost of the Corporation's investments in subsidiary companies and companies accounted for on the equity basis is allocated in accordance with the fair value of the underlying assets as at the dates of investment. The excess of the cost of such investments over the values so allocated, which amounts to $5,952,000 for consolidated subsidiary companies, does not, in the opinion of management, require amortization at this time.

Foreign Currency Translation

The accounts of foreign subsidiaries included in the consolidated financial statements are translated into Canadian dollars at the rate of exchange prevailing on the balance sheet date for current assets, current liabilities and long term debt, at historical rates for fixed and other assets and liabilities, and at the average rate for the year for revenues and expenses except for depreciation which is at historical rates. Unrealized gains or losses on the translation of long term debt are amortized over the term of the debt.

Revenue Recognition

Revenue from sales of cement, ready-mixed concrete, concrete blocks and pipes, aggregates and miscellaneous products is recorded at the time the products are shipped to customers. Revenue from construction contracts, which arises mainly from work on highways, streets and major projects, is taken up on the basis of units of work completed. Wherever a contract is of an indivisible lump sum nature, revenues and earnings are taken up on the percentage of completion method. Losses, if any, are provided for in full as soon as they become evident.

Debt Financing Expenses

Costs incurred in issuing long term debt are amortized over the term of the debt issue to which they relate.

Income Taxes

Income tax expense includes provision for all taxes currently payable as well as for those which have been deferred to future years as a result of timing differences in the measurement of income for book and tax return purposes. The balance sheet provision for deferred income taxes reflects the cumulative effect of all such deferments, which arise principally from the excess of capital cost allowance claimed over the depreciation recorded in the accounts.

Inventories

Inventories, which consist mainly of cement, raw materials, supplies and repair parts, are carried at the lower of cost (generally average cost) or net realizable value.

Fixed Assets

Fixed assets are carried at cost, which, in the case of major manufacturing plants, includes interest incurred during construction. Assets are depreciated over their estimated useful lives basically on the straight-line method, adjusted for certain categories in accordance with established criteria to reflect variations from normal utilization. Basic rates range from 2½% on certain buildings to 25% on light mobile equipment. Land includes depletable raw material reserves on which depletion is recorded on a unit of production basis.

Note 2 – FIXED ASSETS

	Land	Buildings, Plants and Equipment	Construction in Progress	Total
		(in thousands of dollars)		
As at December 31, 1979				
Cost	**$45,261**	**$587,851**	**$48,740**	**$681,852**
Accumulated Depreciation and Depletion	**6,125**	**250,649**	**–**	**256,774**
Net Book Value	**$39,136**	**$337,202**	**$48,740**	**$425,078**
As at December 31, 1978				
Cost	$47,580	$558,571	$10,114	$616,265
Accumulated Depreciation and Depletion	5,441	232,767	–	238,208
Net Book Value	$42,139	$325,804	$10,114	$378,057

Note 3 – LONG TERM DEBT

	December 31 1979	December 31 1978
	(in thousands of dollars)	
Canada Cement Lafarge Ltd.–		
Sinking Fund Debentures:		
6¼%, Series A, maturing in 1986 (for which the sinking fund requirements are $1,000 in 1980 and $750,000 annually 1981 to 1985)	**$ 7,501**	$ 8,151
9½%, Series B, maturing in 1990 (for which the sinking fund requirements are $755,000 in 1981, $900,000 annually 1982 to 1984 and $1,300,000 annually 1985 to 1989)	**16,555**	17,469
8¾%, Series C, maturing in 1992 (for which the sinking fund requirements are $691,000 in 1981, $1,200,000 annually 1982 to 1986 and $1,800,000 annually 1987 to 1991)	**27,091**	28,043
11¼%, Series D, maturing in 1995 (for which the sinking fund requirements are $833,000 in 1981 and $1,000,000 annually 1982 to 1994)	**14,833**	16,400
9¾%, Series E, maturing in 1997 (for which the sinking fund requirements are $1,600,00 annually 1981 to 1988 and $2,400,000 annually 1989 to 1996)	**40,000**	40,000
7½%, Series F, maturing in 1988 (for which the sinking fund requirements are $133,000 in 1981 and $325,000 annually 1982 to 1987) (note d)	**6,085**	6,507
Notes payable, including $3,000,000 payable in U.S. funds, maturing in equal annual instalments from 1980 to 1988, bearing interest at varying rates up to a maximum of ¾% above prime	**13,508**	13,558
Citadel Cement Corporation–		
U.S. $30,000,000 of 9⅜% Senior Notes maturing in equal annual instalments of U.S. $1,875,000 from 1980 to 1995	**35,040**	35,580
Other debt (of which $5,200,000 is secured by pledged assets)	**13,681**	11,032
	174,294	176,740
Less portion due within one year included in current liabilities	**4,899**	1,571
	$169,395	$175,169

(a) The Corporation has arranged unsecured lines of medium and long term bank credit aggregating $45 million, which can be drawn in whole or in part up to December 31, 1980. No portion of these credits was in use at December 31, 1979.

(b) Payment requirements on long term debt during the next five years are as follows:

Year Ending December 31 1980	1981	1982	1983	1984
		(in thousands of dollars)		
$4,899	$11,662	$16,843	$10,894	$9,682

(c) In addition to interest on long term debt shown in the Consolidated Statement of Earnings, interest of $1,613,000 ($1,954,000 in 1978) was capitalized with respect to cement plants under construction.

(d) The amount shown as outstanding at December 31, 1978 represents 6¾% secured debentures of a subsidiary which were subsequently exchanged for 7½% Series F debentures of the Corporation.

Note 4 – SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

(a) As at December 31, the capital structure of the Corporation consisted of:

	Authorized Shares		Outstanding Shares	
	1979	1978	**1979**	1978
Cumulative redeemable preference shares redeemable at $30 per share with annual dividends at a rate of $1.30 per share	**900,000**	900,000	**900,000**	900,000
Second preference shares issuable in series	**Unlimited**	–	**–**	–
Common shares	**28,000,000**	20,000,000	**18,582,662**	18,582,542

(b) Retained earnings include a reserve for Preference Dividend Maintenance Fund of $2,340,000.

(c) Earnings per common share are based on 18,582,612 shares, the weighted average number of shares outstanding during the year (1978 – 18,582,542 shares).

Note 5 – COMMITMENTS AND CONTINGENT LIABILITIES

(a) Rental payments under long term plant and equipment leases amounted to $6,953,000 in 1979 ($6,851,000 in 1978). Future annual lease payments under leases in existence as at December 31, 1979 average $5,500,000 for 1980 and 1981, $3,800,000 for 1982 through 1984, $1,400,000 for 1985 and 1986 and $700,000 from 1987 to 1997.

The Canadian Institute of Chartered Accountants has stipulated methods of accounting for lease transactions entered into on or after January 1, 1979. Had the Corporation applied these accounting principles retroactively to leases in existence as at January 1, 1979, then:

(i) the fixed assets, liabilities, deferred income taxes and retained earnings of the Corporation as at December 31, 1979 would have increased by $24.8 million, $21.4 million, $1.5 million and $1.9 million (10¢ per common share) respectively; and

(ii) the consolidated net earnings of the Corporation in 1979 would have increased by $0.5 million (3¢ per common share).

New leases since January 1, 1979 have been immaterial in amount.

(b) The Corporation is expanding the annual productive capacity of its cement plant at Exshaw, Alberta by about 600,000 tonnes. The cost is expected to be $75 million, of which $41 million has been expended and a further amount of $20 million has been committed at December 31, 1979.

(c) Pursuant to various agreements the Corporation has the right and in certain circumstances may be required to make additional investments in shares of its partly owned subsidiary and associated companies at an estimated aggregate cost as at December 31, 1979 of $16 million. Subsequent to the year end, the shareholders of one of the associated companies covered by these agreements announced their intention to require the Corporation to purchase all of their outstanding shares of this company.

Note 6 – SUBSEQUENT EVENTS

(a) The Corporation has entered into an agreement dated March 4, 1980 for the sale to underwriters of 3,340,000 Series A $1.17 convertible redeemable second preference shares at a price of $15 per share. The net proceeds are estimated at $48,021,250 after deducting expenses of issue including the underwriting commission.

(b) The Corporation has entered into an agreement dated March 4, 1980 for the sale to Lafarge S.A. of 1,660,000 Series A $1.17 convertible redeemable second preference shares at a price of $15 per share.

Note 7 – STATUTORY INFORMATION

Remuneration of eighteen directors in their capacity as directors was $118,000 ($103,000 in 1978) and of nineteen senior officers was $1,560,000 (seventeen senior officers $1,182,000 in 1978). Three of the directors are also officers of the Corporation. None of the directors or officers received remuneration from the Corporation's subsidiaries.

Ten Year Financial Summary
(in thousands of dollars)

	Fiscal Year	
	1979	1978
NET EARNINGS		
Sales	**$618,297**	$535,337
Cost and expenses:		
Cost of sales and operating, selling, general and administrative expenses	**513,521**	453,370
Depreciation and depletion	**28,868**	24,567
Interest on bank and other short term debt, less income from short term investments	**2,427**	2,671
Interest on long term debt	**15,867**	13,849
	560,683	494,457
Earnings before the undernoted items	**57,614**	40,880
Income taxes	**24,633**	17,515
	32,981	23,365
Equity Income	**4,119**	3,570
	37,100	26,935
Minority interest	**851**	474
Earnings before extraordinary items	**36,249**	26,461
Extraordinary items	**–**	–
Net earnings	**$ 36,249**	$ 26,461
BALANCE SHEET		
Working capital	**$ 87,645**	$109,044
Investments in associated companies	**38,202**	34,884
Fixed assets	**425,078**	378,057
Other assets	**16,400**	17,570
	$567,325	$539,555
Long term debt	**$169,395**	$175,169
Deferred income taxes	**85,755**	75,100
Minority interest	**5,782**	4,965
Shareholders' equity	**306,393**	284,321
	$567,325	$539,555
OTHER INFORMATION		
Funds generated from operations	**$ 75,082**	$ 57,321
Additions to fixed assets – net	**71,685**	24,145
Investments in associated companies	**1,611**	–
Dividends – Preference shares	**1,170**	1,170
– Common shares	**13,008**	11,150
Return on sales	**5.3%**	4.4%
Return on common shareholders' equity	**13.1%**	10.1%
PER COMMON SHARE		
Earnings before extraordinary items	**$1.89**	$1.36
Net earnings	**1.89**	1.36
Funds generated from operations	**3.98**	3.02
Dividends	**0.70**	0.60
Shareholders' equity at end of year	**15.03**	13.85
Range of market price during the year	**10-14 3/8**	9-13 1/4
Average number of shares outstanding (in thousands)	**18,583**	18,583

Notes:
(1) The accounts of wholly-owned subsidiary companies acquired during the ten year period are included only from their respective dates of acquisition. The accounts of a 51% owned subsidiary company acquired in 1968 are accounted for on the equity basis for 1971 and 1972 and on a consolidated basis from 1973 on.

Ended December 31					*Calendar Year*	*Fiscal Year Ended April 30*	
1977	1976	1975	1974	1973	1972	1972	1971
$439,686	$384,799	$398,919	$330,734	$292,815	$237,631	$203,071	$156,185
372,129	318,979	335,796	272,400	237,885	192,266	165,767	126,606
21,186	19,265	17,631	16,967	14,802	13,364	11,108	10,613
2,704	1,465	444	839	(684)	(1,488)	(1,481)	278
10,032	10,337	8,652	5,744	5,111	5,034	4,528	5,204
406,051	350,046	362,523	295,950	257,114	209,176	179,922	142,701
33,635	34,753	36,396	34,784	35,701	28,455	23,149	13,484
14,320	15,124	16,702	15,692	16,602	13,757	11,327	6,151
19,315	19,629	19,694	19,092	19,099	14,698	11,822	7,333
3,403	3,799	5,274	4,522	2,513	2,103	1,529	928
22,718	23,428	24,968	23,614	21,612	16,801	13,351	8,261
275	251	631	357	323	–	–	–
22,443	23,177	24,337	23,257	21,289	16,801	13,351	8,261
–	–	–	–	1,415	423	1,143	599
$ 22,443	$ 23,177	$ 24,337	$ 23,257	$ 22,704	$ 17,224	$ 14,494	$ 8,860
$ 83,839	$ 54,391	$ 56,760	$ 43,797	$ 51,229	$ 51,404	$ 37,437	$ 39,292
32,931	71,644	66,302	60,806	51,970	23,033	22,159	24,644
378,479	293,246	287,149	276,726	240,037	207,552	181,734	176,443
16,231	14,106	14,743	15,540	17,351	9,976	8,233	7,926
$511,480	$433,387	$424,954	$396,869	$360,587	$291,965	$249,563	$248,305
$168,404	$109,667	$115,946	$103,654	$ 89,959	$ 95,115	$ 68,677	$ 75,585
68,372	59,488	55,855	52,677	41,373	23,439	21,224	20,449
4,524	4,175	3,953	3,355	3,009	–	–	–
270,180	260,057	249,200	237,183	226,246	173,411	159,662	152,271
$511,480	$433,387	$424,954	$396,869	$360,587	$291,965	$249,563	$248,305
$ 49,542	$ 43,687	$ 41,556	$ 48,321	$ 51,996	$ 29,575	$ 25,470	$ 18,861
28,829	25,362	28,054	53,656	40,224	33,844	13,702	10,412
5,487	2,614	1,203	5,166	30,568	295	(397)	(44)
1,170	1,170	1,170	1,170	1,147	682	910	910
11,150	11,150	11,150	11,150	7,356	4,646	6,194	5,414
4.4%	5.1%	4.9%	5.8%	6.5%	6.2%	5.8%	4.7%
8.9%	9.7%	10.7%	10.8%	13.0%	10.8%	9.2%	6.5%
$1.14	$1.18	$1.25	$1.19	$1.29	$1.03	$0.80	$0.55
1.14	1.18	1.25	1.19	1.38	1.05	0.88	0.60
2.60	2.29	2.17	2.54	3.25	1.85	1.59	1.35
0.60	0.60	0.60	0.60	0.47½	0.40	0.40	0.40
13.09	12.55	11.97	11.32	10.73	9.45	8.57	8.09
7⅝-9⅜	7¼-11⅝	8-12	8½-14⅞	10⅞-16¼	11¼-15	9½-13⅜	7¼-10¾
18,583	18,583	18,583	18,583	15,625	15,485	15,485	13,272

(2) The Corporation's fiscal year end was changed in 1972 from April 30 to December 31. The four month period from January 1 to April 30, 1972 is included in both fiscal and calendar year 1972 columns.

(3) All amounts per common share have been restated to reflect the four for one subdivision of shares carried out in 1973.

Directors and Officers

Directors

*Thomas J. Bell
Chairman
Abitibi-Price Inc.,
Toronto, Ont.

R. Fraser Elliott, Q.C.
Senior Partner
Stikeman, Elliott, Robarts & Bowman,
Toronto, Ont.

Edward M.S. Fisher
President & General Manager
The Enterprise Foundry Co. Ltd.,
Sackville, N.B.

*Jean-François
Vice-Chairman and Chief Operating Officer
Lafarge, Paris, France

J. Taylor Kennedy
Montreal, Que.

Samuel M. Kinney, Jr.
Hannoch, Weisman, Stern,
Besser, Berkowitz & Kinney,
Newark, N.J., U.S.A.

Olivier Lecerf
Chairman & Chief Executive Officer
Lafarge, Paris, France

*Peter M. McEntyre
President
Comtrust Holdings Inc.,
Montreal, Que.

David E. Mitchell
President
Alberta Energy Co. Ltd.,
Calgary, Alta.

André Monast, Q.C.
Partner: Létourneau & Stein,
Quebec, Que.

Jerry E.A. Nickerson
Chairman
H.B. Nickerson & Sons Ltd.,
North Sydney, N.S.

*Patrick Nodé-Langlois
Executive Vice-President
Lafarge, Paris, France

*John D. Redfern
President and Chief Executive Officer
Canada Cement Lafarge Ltd.,
Montreal, Que.

Patrick J.J. Rich
President and Chef Executive Officer
Aluminium Company of Canada, Ltd., and
Alcan Smelters & Chemicals Ltd.,
Montréal, Que.

J. Ernest Richardson
Chairman
MacMillan Bloedel Limited,
Vancouver, B.C.

Hon. James Sinclair
Vancouver, B.C.

*Ronald D. Southern
President
Atco Ltd.,
Calgary, Alta.

*H. Richard Whittall
Partner
Richardson Securities of Canada,
Vancouver, B.C.

*Member of the Executive Committee

Officers Corporate Management

Peter M. McEntyre
Chairman of the Board

H. Richard Whittall
Deputy Chairman of the Board

John D. Redfern
President and Chief Executive Officer

Gilbert H. Liduena
Executive Vice-President, Operations

Peter Jongeneel
Executive Vice-President, Finance

Douglas C. Hildebrand
Vice-President, Corporate Development

Ralph M. Johnson
Vice-President & Assistant to the President

Pierre Messier
Vice-President, Secretary & General Counsel

Donald S. McRae
Vice-President & Treasurer

Patrick Bavière
Vice-President & Comptroller

Daniel Beylich
Vice-President, Technical Services

William H.J. Cameron
Vice-President, Personnel

Gordon F. Masson
Vice-President, Corporate Marketing

Dr. William S. Weaver
Vice-President, Research & Development

G.T. Frew
Assistant Secretary

C.J. Leslie
Assistant Treasurer

Regional Management

George Schotch
Vice-President & General Manager
Pacific Region

Desmond G. Griffin
Vice-President & General Manager
Western Region

Kenneth N. Bayne
Vice-President & General Manager
Ontario Region

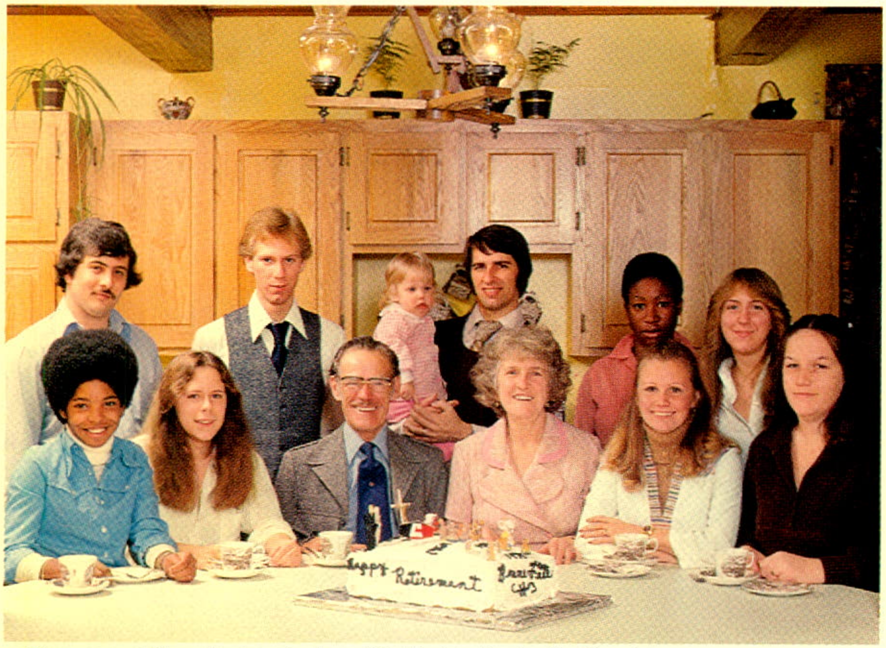
Marc L'Anglais
Vice-President & General Manager
Quebec Region

J. Richard Maze
Vice-President & General Manager
Atlantic Region

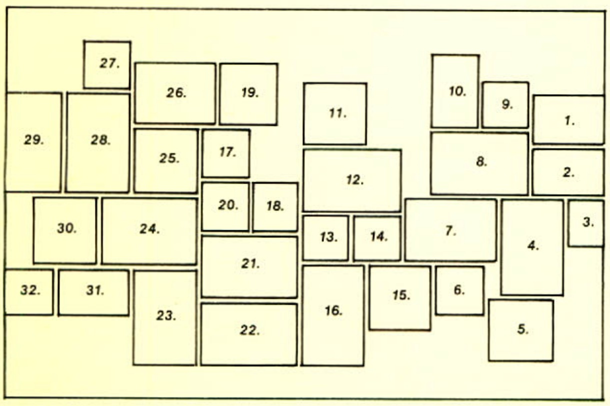
The Management Group photographed in the boardroom at Company headquarters in Montreal. Seated (l to r): P. Bavière, Vice-President & Comptroller: D.S. McRae, Vice-President & Treasurer: P.M. McEntyre, Chairman of the Board: P. Jongeneel, Executive Vice-President, Finance: J.D. Redfern, President & Chief Executive Officer: G.H. Liduena, Executive Vice-President, Operations: D.C. Hildebrand, Vice-President, Corporate Development: G.F. Masson, Vice-President, Corporate Marketing: R.M. Johnson, Vice-President & Assistant to the President: Standing (l to r): D. Beylich, Vice-President, Corporate Technical Services: W.H.J. Cameron, Vice-President, Personnel: K.N. Bayne, Vice-President & General Manager, Ontario Region: G. Schotch, Vice-President & General Manager, Pacific Region: D.G. Griffin, Vice-President & General Manager, Western Region: J.R. Maze, Vice-President & General Manager, Atlantic Region: M. L'Anglais, Vice-President & General Manager, Quebec Region: P. Messier, Vice-President, Secretary & General Counsel.

Robert Julien, ready mix concrete truck Driver at Dominion Ready Mix in Quebec City was decorated by Her Majesty the Queen in 1973 for an act of bravery. Robert risked his own life to bring a 40 ton ready mix truck, out of control, to a halt, thus preventing a tragedy in a crowded area of the city.

Corrado Sartore, a Welder in the quarry section at Francon in Montreal was decorated by the Governor General of Canada in February 1979, also for an act of bravery. One day in the summer of 1976, Corrado was instrumental in saving his co-worker from sure death by asphyxiation, when he became buried in a mountain of crushed stone.



Georges and Diane Racine who live at St. Rémi de Napierville, Que. have adopted six children over and above having three of their own. Georges who worked at the Saint-Constant plant since 1968, retired recently. Seated (l to r): Lolita, Marianne, Georges, Diane, Joanne, Irène. Standing (l to r): Michael, Daniel, Ronald with Viviane (grand-child), Ursula and Henriette.



Legend for Cover Illustrations

1. Stella Marie Trites, Secretary, Moncton, N.B. sales office.

2. Jim Calnen, Packer, Brookfield, N.S. plant.

3. Marvin Sinclair McLean, Control Room Operator, Brookfield plant.

4. David C. Clark, Quarry Foreman, Brookfield plant.

5. Claudio Zanolin, Manager, Planning – Concrete & Construction, Corporate Office, Montreal.

6. James A. Glass, Shift Foreman, Citadel's plant, Demopolis, Alabama, U.S.A.

7. Laszlo Ambrus, Welder, Francon plant, Montreal.

8. "Kiln Sampling" at the Brookfield plant with Allan Eddy in foreground.

9. Gérard Crevier, Foreman, Lafarge Béton plant, Montreal.

10. Pierre Shepherd, Mechanical Repairman, Saint-Constant, Que. plant.

11. Leo Nash cleaning the kiln burner pipe at the Bath, Ont. plant.

12. Geraldine Anne (Gerry) Gallant, Cashier, Corporate Office.

13. Vincent John Maher, Control Room Operator, Bath plant.

14. Lionel Morin, Production Manager, Lagacé quarry, Montreal.

15. William Joseph Leeder, Secretary-Treasurer, Permanent Concrete Inc., Brockville, Ont.

16. Darcy McGovern, Market Information Manager, Corporate Office.

17. Eric C. Lavallee, Manager-Transportation (Export), Corporate Office.

18. Monica Smishek, Secretary, Saskatoon office.

19. George Gardner, Distribution Supervisor, Northern Ontario, Sudbury.

20. Heather Gail Jeffery, Terminal Operations Clerk, Calgary office.

21. Karl Larry Olson, Mechanic, Steep Rock, Man. quarry.

22. Maurice Fitzgerald, Carpenter, Exshaw, Alta. plant.

23. James Ernest Maddams, Mechanic Leadhand, Lafarge Concrete plant, Vancouver.

24. Frank Barrett, Repairman – Millwright, Kamloops, B.C. plant.

25. Tony Levstik, Central Control Operator, Exshaw plant.

26. Judith A. (Judi) Verbeck, Secretary, Saskatoon office.

27. Grace Lim, Payroll Administrator, Vancouver office.

28. Leonard Edmund Prynallt, Steelyard Superintendent, Lafarge Concrete Vancouver.

29. Sandra Catherine (Sandy) McNeil, Accounts Payable Supervisor, Vancouver office.

30. Captain John Kenneth Mowatt, Master Mariner, Captain of the tug "Jose Narvaez", Vancouver.

31. Chris Milne, Systems Engineer, Exshaw plant.

32. Robert Peter Livingston, Maintenance Foreman, Kamloops plant.