C

LAKE ONTARIO CEMENT LIMITED

ANNUAL REPORT
1985

COVER: The Corporation's modern cement manufacturing facility at Picton, Ontario is located 200 kilometres east of Toronto in Prince Edward County. Situated on the St. Lawrence Seaway, the plant is one of the largest in North America with an annual capacity of 1.3 million metric tons of clinker.

THIS PAGE: Large diameter concrete pipe, after being stripped from the form in which it was manufactured, is inspected prior to moving to the curing section.

FINANCIAL HIGHLIGHTS

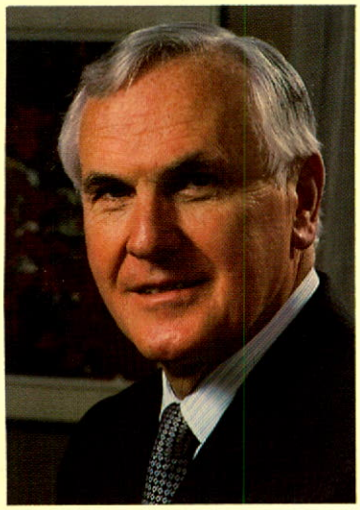
for the year ended December 31	**1985**	1984
Financial		
Sales	**$183,068,006**	$147,797,269
Net earnings before extraordinary item	**12,211,649**	5,881,106
Extraordinary item	—	429,100
Net earnings for the year	**12,211,649**	6,310,206
Funds provided from current operations	**13,785,078**	10,135,523
Capital expenditures	**8,851,553**	4,668,041
Working capital	**33,452,973**	28,098,093
Long-term debt (non-current portion)	**30,228,346**	32,623,896
Shareholders' equity	**57,420,134**	47,792,363
Per common share		
Net earnings		
Before extraordinary item	**$ 2.84**	$ 1.37
After extraordinary item	**2.84**	1.47
Funds provided from current operations	**3.20**	2.35
Dividends	**0.60**	0.50
Shareholders' equity	**12.38**	10.14
Statistical data		
Number of common shareholders	**2,020**	2,259
Number of common shares outstanding	**4,306,461**	4,306,461

Quarterly sales and net earnings
(dollars in thousands except per share)

	Sales		**Net earnings or (loss)**		**Net earnings or (loss) per share**	
	1985	1984	**1985**	1984	**1985**	1984
1st quarter	**$ 17,751**	$ 15,523	**$(3,545)**	$(3,395)	**$(0.82)**	$(0.79)
2nd quarter	**53,976**	39,075	**4,923**	1,647	**1.14**	0.38
3rd quarter	**61,529**	48,978	**6,488**	3,867	**1.51**	0.90
4th quarter	**49,812**	44,221	**4,346**	3,762	**1.01**	0.88
	$183,068	$147,797	**$12,212**	$ 5,881	**$ 2.84**	$ 1.37
Extraordinary item	—	—	—	429	—	0.10
	$183,068	$147,797	**$12,212**	$ 6,310	**$ 2.84**	$ 1.47

CONTENTS

REPORT TO SHAREHOLDERS



Joseph S. Pal
President and Chief Executive Officer

Record financial results were achieved by the Corporation in 1985. Benefiting from a strong combination of favourable operational, economic and market conditions, consolidated sales totalled $183,068,006 compared to $147,797,269 the previous year. Consolidated net earnings were $12,211,649 or $2.84 per share, compared with $6,310,206 or $1.47 per share in 1984.

The improved profitability and the financial strength of the Corporation permitted an increased return to investors. The first two quarterly dividends paid in 1985 were at the rate of 12 1/2¢ per share. The rate was increased for the third quarter to 15¢ per share and was further increased for the fourth quarter to 20¢ per share, bringing the dividends to an annual rate of 80¢ per share. Total dividends of 60¢ per share were paid in 1985 compared to 50¢ per share paid in 1984.

A number of related factors generated improved performance in 1985. Sales were up by over 24% from the previous year, reflecting both strong market demand and increased prices in major product lines. Improved efficiency from operations produced positive results. In combination these factors yielded better margins and increased profitability.

Two other elements affected results in 1985. Interest costs for the year totalled $4,713,442, a decrease of 15% from those in 1984. The lower Canadian exchange rate with the U.S. dollar was also a positive factor in connection with sales in the United States.

The financial position of the Corporation is strong and provides a sound base for continued growth and diversification. With sales exceeding $180 million annually, Lake Ontario Cement is an increasingly significant participant in its construction-related markets.

Acquisitions

The Corporation continues to seek out companies that can assist in achieving its objective of product and market diversification. During 1985, three businesses in the ready-mixed concrete and related product areas were acquired in North Bay, Ottawa and west-central Ontario. As well, United Aggregates Ltd., a company in which the Corporation holds a one-third interest, acquired a crushed stone quarry of Indusmin Limited near Acton, Ontario. This acquisition provides United Aggregates with a significant capability to serve the Metropolitan Toronto market with a full range of construction aggregates.

Of particular importance was the recent signing of a purchase agreement to acquire all the shares of Universal Concrete Products, Inc. of Columbus, Ohio. This company is a major manufacturer of concrete pipe, prestressed bridge beams and related products with 12 plants in six states extending south from the Corporation's current U.S. market areas. The closing of this acquisition is expected to take place by the end of January, 1986.

The outlook for the coming year

The 1985 record results for the Corporation occurred within a buoyant construction economy in both Canada and the United States. The strength of the North American economy is expected to continue in 1986, but with little growth over the 1985 level. A general continuation of current interest and mortgage rates is anticipated and market demand for products of the Corporation in 1986 will approximate that of 1985. Cement consumption, for example, is expected to increase in 1986 in the Great Lakes market areas served by the Corporation by an average of just over 2% compared to an increase of 15% in 1985 over 1984 levels.

Estimates for residential and non-residential construction in 1986 indicate, in most cases, a growing market but with regional variations. Accordingly, the Corporation's performance in the coming year is expected to continue at 1985 levels.

While the outlook for 1986 is generally favourable, two factors raise some uncertainties regarding the results for next year.

First, protectionism in the United States remains a major concern. Actions continue to be taken to try and limit imports of cement into the U.S. At present, a free trade environment exists between the two countries as far as cement is concerned. The Corporation believes that North American interests are best served by maintaining this free movement of cement across the Canada/U.S. border.

A second concern is that the particularly strong combination of economic and market conditions that contributed to this year's results began in 1983. While we are forecasting a relatively strong year in 1986, an economic cycle of this duration is vulnerable to a downturn. However, the Corporation now serves an increasingly diverse market within the general construction sector. We believe our growing range of products and markets, including the U.S. acquisition underway at present, provides an important balance to sustain future profitability.

Management changes

In late 1985, organizational changes resulted in my appointment as President and Chief Executive Officer of the Corporation. John D. Fowler, Lake Ontario Cement's President and Chief Executive Officer since 1979, was appointed President and Chief Operating Officer of Denison Mines Limited, the major shareholder of the Corporation.

During Mr. Fowler's 23 years of service, particularly the last six as President and Chief Executive Officer, Lake Ontario Cement became a major diversified producer and marketer of construction-related materials. The Corporation's strategic positioning has provided a strong operating base for further growth.

On a personal note, and on behalf of the Board of Directors and employees of Lake Ontario Cement, I extend to Mr. Fowler sincere thanks for his exceptional contribution. I look forward to his continuing involvement as a Director and as Vice-Chairman of the Board of the Corporation.

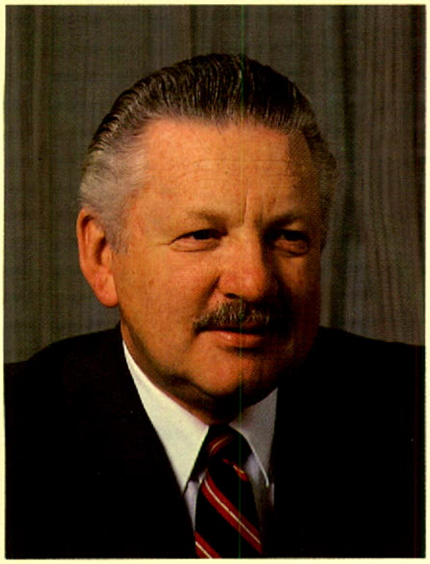
It is fitting that I extend, on behalf of our Board of Directors, sincere thanks to our over 1,200 employees for their loyal and dedicated service. I also extend thanks to our many customers for their continuing confidence and support. Both are fundamental to our ongoing success.

Joseph S. Pal
President and Chief Executive Officer

January 10, 1986
Toronto, Ontario, Canada

Stephen B. Roman, *Chairman of the Board*

CORPORATE DEVELOPMENT



Denis R.T. White
Senior Vice-President,
Corporate Development

The 1985 operating results reflect a combination of planned long-term corporate strategic programs and market opportunities that arose from a strong economic recovery.

The Corporation has instituted a number of programs that address key areas. These programs include the identification of opportunities for product and market diversification, steps to promote productivity, improved cost control, implementation of a decentralized organization and improved capabilities in the marketing and service areas. As well, capital expenditures continue to be made to increase efficiency and ensure that facilities are kept in a modern, and competitive, condition. The results in 1985 reflect, in part, the cumulative effect of actions that have been taken in these areas over the last few years.

Corporate strategy in recent years has been conducted within three broad areas - the building of the Corporation's basic cement business, diversification into concrete and building material products related to construction, and broadening of geographical markets.

Acquisitions and joint ventures

The Corporation, from its cement manufacturing base, has expanded its product range through a series of acquisitions and joint ventures. The product line now includes:

- cement
- ready-mixed concrete
- architectural concrete block
- concrete block
- calcite brick
- concrete pipe and fittings
- concrete manholes and catchbasins
- concrete reinforced box sections for culverts
- soil erosion control systems
- construction aggregates - sand, gravel, crushed stone
- construction-related chemicals.

Starting from a single cement plant at Picton, Ontario, the Corporation, and its subsidiaries and joint investment companies now operate: one cement plant, six cement depots, one clinker grinding plant, 16 ready-mixed concrete plants, four concrete block plants, one calcite brick plant, six construction aggregate operations, five concrete pipe and related product plants and one construction chemical facility.

The impact of this diversification program is illustrated by the fact that the proportion of sales represented by cement decreased from 73% of sales in 1979 to 43% of sales in 1985.

The Corporation's two joint investment companies, United Aggregates Ltd. and Euclid Chemical Canada Inc., have been important and successful elements in its diversification strategy. Both showed good financial results in 1985 and are expected to continue this trend next year.

The current market that is served by the Corporation includes Ontario, Quebec, western New York State and Michigan. Acquisitions in 1985 that served to strengthen capabilities in these markets include the assets of:

- Hoffman (North) Concrete of North Bay, Ontario, a ready-mixed concrete, concrete block and sand and gravel operation.
- Bertrand Concrete, a major ready-mixed concrete supplier in Ottawa, Ontario.
- Maitland Redi-Mix Concrete Products Limited, a supplier of ready-mixed concrete and sand and gravel in four locations centered in Wingham in west-central Ontario.

The acquisition of Universal Concrete Products, Inc. will provide a major opportunity for further diversification in both product line and geography. This company's market area affords a logical, southerly extension to the Corporation's current U.S. operations, and adds 12 manufacturing facilities in Ohio, Pennsylvania, Kentucky, Tennessee, North Carolina and South Carolina. Universal Concrete manufactures concrete pipe and related products and also prestressed bridge beams, the latter representing an important addition to the Corporation's product range. Universal Concrete's management has achieved notable success even in recession years, and its 16 senior managers have service averaging over 20 years with the company.

Markets and outlook

The Corporation's markets in Ontario, Quebec, New York State and Michigan represent the industrial and commercial centre of Canada and the northeastern United States.

MARKET AREA (IN MILLIONS)

	POPULATION	LAND AREA (SQ. KM)	HOUSEHOLDS*
ONTARIO	8.95	1.07	3.21
QUEBEC	6.54	1.54	2.31
N.Y. STATE	17.92	0.13	6.62
MICHIGAN	9.18	0.15	3.29
TOTAL	42.59	2.89	15.43

*1985 ESTIMATES

All of the products manufactured and marketed by the Corporation serve the construction industry. While the cyclical nature of construction and the interrelationship of various types of construction activity affect the success of Lake Ontario Cement, diversification within this general area has broadened opportunities and reduced risk. In the Corporation's market, construction spending is generated from both government and private-sector business and is directed to three prime areas:

1. Residential construction, which provides family living accommodation in single and multi-unit buildings.

2. Non-residential construction consisting of industrial and commercial buildings. Commercial construction includes office buildings, institutional buildings such as hospitals and schools, stores and shopping centres while industrial construction includes manufacturing buildings.

3. Non-building construction, which includes roads, bridges, water supply and treatment facilities, and erosion control.

The growth patterns for residential and non-residential areas along with the cement consumption in the Corporation's market areas are set out in the table showing construction trends.

The outlook for 1986 indicates a growing demand for construction-related products but with some variations in market areas and construction types. While housing starts are expected to increase in Ontario in 1986, a decline is projected in Quebec. In New York State and Michigan, the gains in housing starts which occurred in 1985 are expected to continue but at a much slower pace.

In the non-residential construction area, Ontario and Quebec experienced strong growth in 1985. Significant gains were also achieved in Michigan while those in New York State were more modest.

In Ontario and Quebec, non-residential construction is expected to grow more slowly in 1986 than in 1985. In Michigan, non-residential construction is expected to grow marginally while in New York State growth will exceed that of 1985.

Cement consumption in 1985 in the Corporation's market areas showed increases averaging about 15% over 1984 levels. Estimates show a reduced growth rate in cement demand in 1986 with an overall increase of just over 2% expected.

Construction activity in both Canada and the United States has shown strong growth in the past three year period. While we see continued cyclical swings in the future, we believe that cement, concrete and related construction products remain a profitable avenue for future corporate growth.

CONSTRUCTION TRENDS

	Housing Starts (000 units)			Non-Residential Construction Starts (million sq. feet)			Cement Consumption (000 tons)		
	1984	1985	1986	1984	1985	1986	1984	1985	1986
ONTARIO	48	61	72	47	57	60	2,580	2,840	2,900
		+27%	+18%		+22%	+6%		+10%	+2%
QUEBEC	42	43	35	27	34	34	1,777	2,040	2,212
		+2%	−19%		+26%	nil		+15%	+8%
MICHIGAN	32	39	40	32	42	44	1,990	2,480	2,520
		+22%	+3%		+31%	+5%		+25%	+2%
NEW YORK	42	58	60	35	37	40	2,797	3,224	3,448
		+38%	+3%		+6%	+8%		+15%	+7%

CORPORATE STRUCTURE

CORPORATE OFFICES

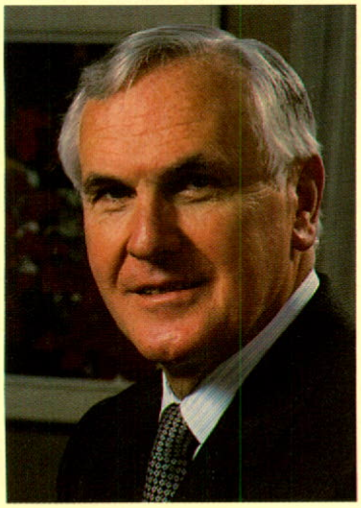
THE CEMENT GROUP
- Lake Ontario Cement
- Aetna Cement Corporation
- Rochester Portland Cement Corp.

THE PIPE GROUP
- Bestpipe
- Duracon
- Utility Vault
- Vibrapipe Ltée.
- Soil Protection Systems Inc.

THE BUILDING PRODUCTS GROUP
- Premier Concrete
- Primeau Argo
- KVN Concrete
- Maitland Concrete

JOINT INVESTMENT COMPANIES
- United Aggregates Ltd. *(33 1/3% owned)*
- Euclid Chemical Canada Inc. *(51% owned)*

THE CEMENT GROUP



Joseph S. Pal
President and Chief Executive Officer, President, The Cement Group

The Cement Group manufactures and markets a range of cement products to customers in the Great Lakes region of Canada and the United States. At the world-class plant located at Picton, Ontario, the Group produces masonry cement and four different types of Portland cement to meet the varying requirements of customers. These include ready-mixed concrete companies, manufacturers of concrete block, brick, pipe, pre-cast products and a variety of construction-related organizations.

The Group has a number of strengths that enable it to serve the range of markets effectively. An efficient plant and excellent reserves of good quality limestone in the adjacent quarry near Picton, Ontario are important. The Picton plant's seaway location permits fast and cost-effective distribution of product to customers and efficient transportation of fuel to the plant for use in the manufacturing process.

From April through December, the majority of the cement produced at the Picton plant is shipped by water to distribution centres on the Corporation's carrier, the M/V 'Stephen B. Roman'. Product is also moved by the Group's smaller chartered vessel, the M/V 'Day Peckinpaugh', from Oswego, New York up the New York barge canal to service the Group's distribution depot at Rome, New York. Road and rail transportation are also used to service the distribution centres during winter months and to supplement water transportation.

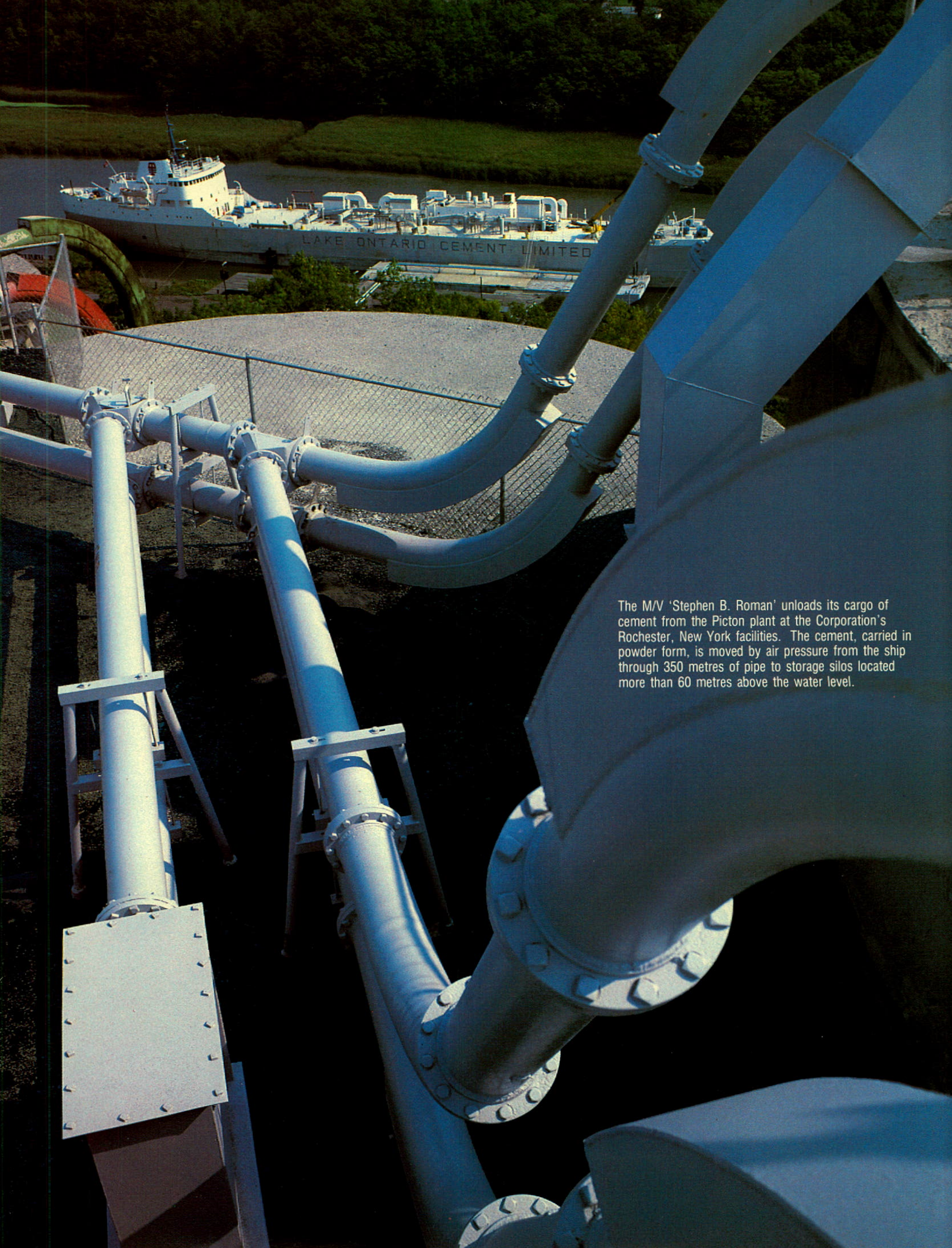
Cement is provided to customers in Ontario from distribution centres located in Toronto, Windsor and Picton. It is also shipped to Rochester Portland Cement Corp., a wholly-owned subsidiary with operations in Rochester and Rome, which serves the western New York market. Clinker - cement in its semi-finished form prior to the final grinding operation - is shipped by water to the Corporation's subsidiary, Aetna Cement Corporation, in Essexville, Michigan. Here it is ground with gypsum to produce Portland and masonry cements for the Michigan markets.

The Group's objectives are to provide timely delivery of high quality, consistent products that are supported by the best available technical advice. With a commitment to providing quality products the Cement Group has standards for cement that ensure product consistency while maintaining low cost production. Chemists in the quality control laboratory at the Picton plant inspect and test all incoming raw materials and all finished product. The Group also operates a Technical Services Department with staff fully knowledgeable about the businesses and operations of the Group's customers. These technicians work closely with the sales force at each of the Group's locations and are available to advise customers on special applications or solve problems as they arise.

During the year, the Cement Group achieved substantial productivity improvements. Operating efficiencies were realized in three significant areas - the ratio of direct to indirect labour, maintenance costs and fuel efficiency. Energy, in particular, is a major focus for cost control as it is the single largest cost element within the Group's operations. Primary energy needs for kiln operations at Picton are met by coal which is the lowest cost energy source available at this time. Low cost energy and a pre-heater kiln make this plant one of the most efficient cement producers in North America.

The Group employs over 370 people at its plant and office locations. The Cement Group's management structure, which strikes a balance between centralization and decentralization, is an important key to the Group's success. While the Group has a centralized management, the three operating areas (Canada, New York, Michigan) function as decentralized marketing and manufacturing operations. This approach lends cohesiveness to operations while decentralizing decision-making and building a strong sense of responsibility, involvement and achievement.

During 1985, cement shipments by the Group increased by approximately 16%. The cement is marketed to all three construction sectors - residential, non-residential and non-building - throughout the Group's market areas of Ontario, Quebec, Michigan and western New York State.



The M/V 'Stephen B. Roman' unloads its cargo of cement from the Picton plant at the Corporation's Rochester, New York facilities. The cement, carried in powder form, is moved by air pressure from the ship through 350 metres of pipe to storage silos located more than 60 metres above the water level.

THE PIPE GROUP

Ken Bruce
President,
The Pipe Group

The Pipe Group comprises five divisions. Each operates as a separate profit centre, responsible for its own manufacturing and marketing under the overall direction of Group management. The Group's products are used primarily in the management of storm water and sanitary sewage, and are sold to private-sector business customers and those handling government funded business in Ontario and Quebec.

Vibrapipe is located at Blainville, Quebec in the northern part of greater Montreal and manufactures concrete sewer pipe ranging from six to 144 inches in diameter. Additionally, manholes and catchbasins are produced as standard items or to custom specifications.

Bestpipe, which has plants in Kitchener and Ottawa, Ontario, produces a full range of concrete sewer pipe up to 120 inches in diameter and also produces dry-cast concrete box culvert sections. The Kitchener plant is one of the largest of its type in North America.

Utility Vault manufactures a wide range of box culverts at its plant in Guelph, Ontario. Utility Vault's product range also includes electrical vaults, retaining wall systems and box culvert sections used as small bridge replacements.

Duracon is a leading supplier of manholes and catchbasins which are manufactured at its plant in Mississauga, Ontario. These products have gained wide acceptance since concrete manholes and catchbasins are used with all types of pipe materials.

Soil Protection Systems Inc. is based at Milton, Ontario and markets proprietary concrete block systems used for erosion control in creeks, rivers and other waterways. The key element in these highly adaptable systems is a patented interlock which maintains its integrity under severe wave attack.

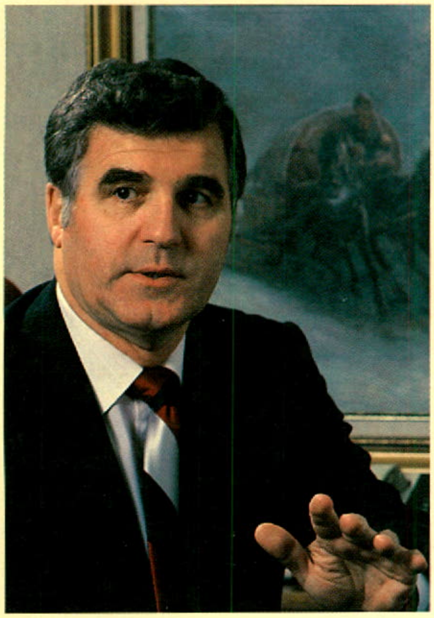
The Group's primary product, concrete pipe, has emerged in recent years as the main type of pipe used in sewer systems. In sanitary sewer applications, concrete pipe is being used in place of clay and asbestos cement pipe. PVC plastic pipe is a major competitor in the small diameter pipe sizes. In storm sewer applications, concrete pipe shares the market with corrugated steel pipe. Marketing efforts are directed at establishing the advantages of concrete pipe, particularly its low 'lifetime' cost, with the contractors, municipal engineers and consulting engineers involved in sewer installations.

As one of the leading manufacturers in its market area, the Group employs over 300 people. Improved productivity and cost control have had an important impact on Group results this year. Efforts to maintain efficient facilities have included a $1.5 million capital expenditure at the Vibrapipe plant in Blainville to install a new and more flexible system for the manufacture of a wide range of pipe products.

Increased volume and stronger prices improved Group profitability in 1985. In particular, Bestseal flatbed pipe, which was introduced into the market in 1984, enjoyed increasing market acceptance.

Concrete pipe is stacked for shipment at the Bestpipe manufacturing facility in Kitchener, Ontario.

THE BUILDING PRODUCTS GROUP



Gordon G. Weeks
President,
The Building Products Group

The Building Products Group manufactures and markets ready-mixed concrete, concrete block and calcite brick through three primary divisions - Premier Concrete, KVN and Primeau Argo. Each division operates as a separate profit centre.

Three acquisitions in 1985 added to the Corporation's strengths in the building products market. The assets acquired from Hoffman (North) Concrete of North Bay, Ontario, include ready-mixed concrete, concrete block and sand and gravel facilities. Maitland Concrete provides ready-mixed concrete facilities in Listowel, Teeswater and Tiverton, Ontario, and sand and gravel through Whitechurch Aggregates. The Maitland operation will retain its current name. The assets of Bertrand Concrete, a major ready-mixed concrete supplier acquired in the Ottawa area, have been integrated into the Group's operations. These acquisitions provide new market areas in northern and west-central Ontario.

In the ready-mixed concrete market, the Group supplies a range of concrete mixes for standard use and develops custom mixes, where required, to meet special market needs. Increased emphasis was placed on research and development in 1985 and organizational changes were introduced in the Group to reflect this important element of customer service and product sales.

Along with volume increases in 1985, improved efficiencies were achieved through reorganization of marketing and manufacturing activities, as well as fleet efficiency. During the year, the vehicle fleet was expanded and major savings were realized in operating costs. In the Toronto area a new streamlined system for taking orders and dispatching ready-mixed concrete vehicles was introduced. Also, a new integrated radio control system was installed. This system permits vehicles to be readily relocated from one market area to another.

Through Primeau Argo, the Group produces calcite (concrete) brick in a variety of colours and textures. The quality of calcite brick makes it increasingly popular for a growing range of applications primarily in residential building. Calcite enjoys increasing acceptance and the Group's sales of brick were up substantially in 1985.

The Group is a major supplier of concrete block in Ontario. In addition to regular and lightweight block, it manufactures many different types of architectural block, which offer cost-effective alternatives for a variety of building applications.

The Building Products Group is also responsible for the operations of Euclid Chemical Canada Inc., a joint investment company. Euclid manufactures a range of chemical additives that are used to improve both the working quality of concrete mixes during placement and also the durability of the cured concrete. Euclid's plant is located in Markham, Ontario.

The Group, which employs approximately 490 people and operates a fleet in excess of 260 vehicles, has built a sound reputation with customers as a reliable supplier of quality products. Ongoing marketing efforts are directed toward architects, commercial contractors, masonry contractors, wall-forming contractors and house builders.

Residential, commercial and industrial construction are all important markets for the Group. The main market area for these products at present is the Province of Ontario. The marketing of brick and block products in New York and Michigan commenced in 1985.

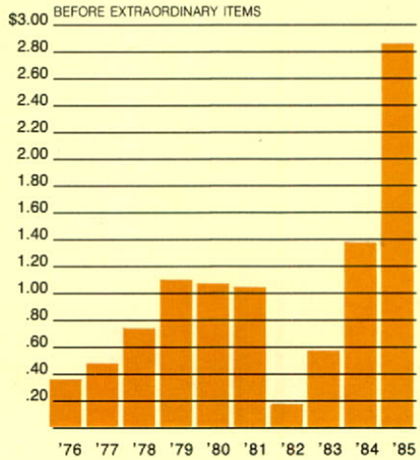
The concrete batching facility at the KVN ready-mixed concrete plant on Wilson Avenue in Toronto, Ontario loads trucks for early morning deliveries to customers.

FINANCIAL REVIEW

R. John Anderson
Vice-President,
Controller and Treasurer

Consolidated net earnings for 1985 improved substantially reflecting strong market demand and increased margins for major product lines. Consolidated earnings of $12,211,649 ($2.84 per share) in 1985 represented a record high level compared with the previous record in 1984 of $6,310,206 ($1.47 per share).

NET EARNINGS PER SHARE

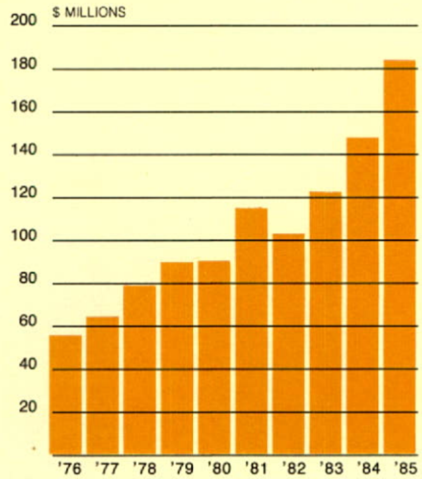


Financial Results

Consolidated sales increased by 24% to $183,068,006 in 1985 from $147,797,269 in 1984. The increased revenues resulted from higher sales volumes, stronger prices and the favourable impact of the lower value of the Canadian dollar on sales in the U.S. The gross profit margin increased to 24% from 22% in 1984 as a result of increased sales combined with strong manufacturing performance. Most plants operated at high capacity levels throughout the year.

Interest expense in 1985 decreased to $4,713,442 from $5,534,893 in 1984. The decrease resulted from lower interest rates experienced during the year.

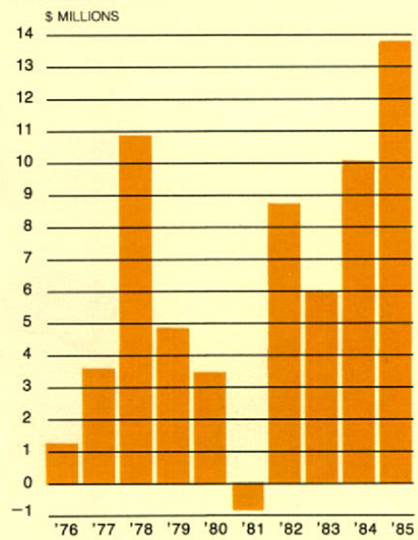
SALES



Funds Provided

Funds provided from current operations increased to $13,785,078 compared with $10,135,523 in 1984. The improvement was the direct result of higher earnings in 1985.

FUNDS PROVIDED



Investment Activities

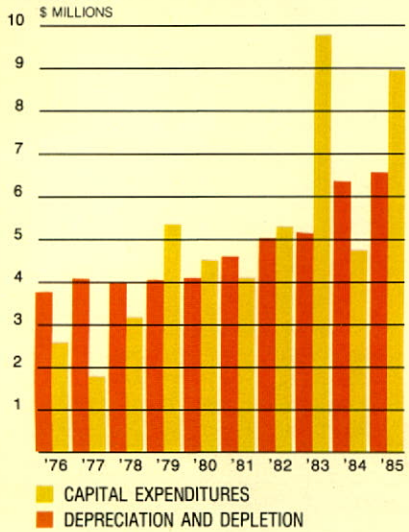
During 1985 the Building Products Group of the Corporation purchased the assets of three businesses located in Ontario consisting of four ready-mixed concrete plants, one block plant and two sand and gravel operations.

In January, 1986 the Corporation signed a share purchase agreement to acquire 100% of the outstanding common stock of Universal Concrete Products, Inc., a company incorporated and operating in the United States.

The closing of this acquisition is scheduled for January 29, 1986. For additional detail see note 11 to the financial statements.

In total, consolidated capital expenditures for 1985 amounted to $8,851,553 of which $2,869,182 was spent for acquisitions in the Building Products Group. Other capital expenditures covered the replacement and purchase of vehicles, mobile equipment and the maintenance and upgrading of various production facilities together with other cost saving projects.

CAPITAL EXPENDITURES DEPRECIATION AND DEPLETION



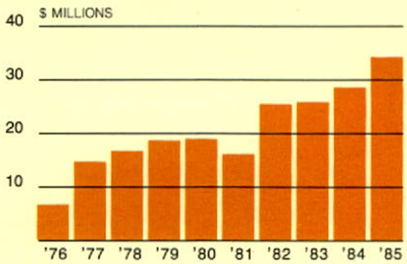
Dividends

Dividend payments during 1985 totalled $2,583,878 or 60¢ per share. The first two quarterly dividends were paid at the rate of 12½¢ per share. The Corporation increased its rate for the third quarter dividend to 15¢ per share with a further increase for the fourth quarter dividend to 20¢ per share. The Corporation has paid dividends since 1973 and the increase in December raised the annual rate of dividend to 80¢ per share. Dividends totalling 50¢ per share were paid in 1984, a rate which had been maintained since 1981.

Working Capital

The working capital at December 31, 1985 was $33,452,973 compared with $28,098,093 at the end of 1984. The increase resulted from higher accounts receivable and inventories, partly offset by higher accounts payable and higher current taxes payable as a result of increased earnings.

WORKING CAPITAL

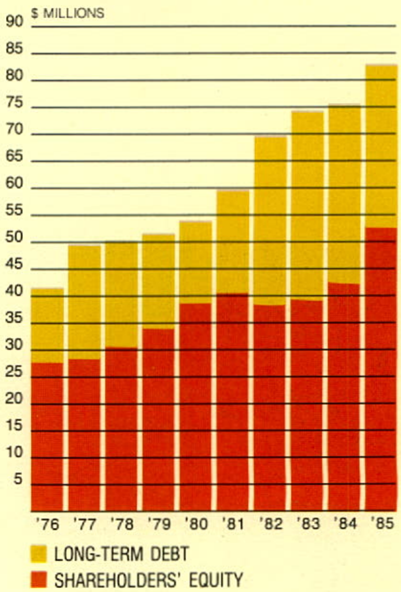


Financial Position

Long-term debt (non-current portion) at the end of 1985 amounted to $30,228,346 compared with $32,623,896 at the end of 1984. The current bank indebtedness at $8,285,005 was close to the previous year's level of $8,331,423.

The shareholders' equity at the end of 1985 was $12.38 per share compared with $10.14 a year earlier. At year-end, the Corporation had a debt/equity ratio of 0.58 to 1.0. Because of the strong balance sheet, the Corporation is well positioned to take advantage of growth opportunities.

TOTAL CAPITALIZATION



The mixing of chemicals used as additives to enhance the physical properties of concrete is undertaken at Euclid Chemical Canada Inc. in Markham, Ontario.

The sand and gravel operation of United Aggregates Ltd. at Caledon, Ontario, just outside of Metropolitan Toronto, supplies a range of aggregate products to the construction market.

Consolidated Financial Statements

for the year ended December 31, 1985

AUDITORS' REPORT

To the Shareholders of Lake Ontario Cement Limited

We have examined the consolidated balance sheet of Lake Ontario Cement Limited as at December 31, 1985 and the consolidated statements of earnings, 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 consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1985 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.

Toronto, Ontario
January 8, 1986

Coopers & Lybrand,
Chartered Accountants

CONSOLIDATED BALANCE SHEET as at December 31

	1985	1984
Assets		
Current assets		
Accounts receivable	**$ 34,098,719**	$ 28,967,761
Inventories (note 3)	**28,134,200**	24,768,210
Prepaid expenses	**2,714,352**	2,126,976
	64,947,271	55,862,947
Long-term investments	**2,768,950**	2,353,073
Fixed assets (note 4)	**66,302,557**	64,215,093
	$134,018,778	$122,431,113
Liabilities		
Current liabilities		
Bank indebtedness	**$ 8,285,005**	$ 8,331,423
Accounts payable and accrued liabilities	**15,242,562**	13,677,615
Income taxes payable	**5,023,372**	2,756,335
Long-term debt due within one year (note 5)	**2,943,359**	2,999,481
	31,494,298	27,764,854
Long-term debt (note 5)	**30,228,346**	32,623,896
Deferred income taxes (note 6)	**14,876,000**	14,250,000
	76,598,644	74,638,750
Shareholders' equity		
Share capital (note 8)	**4,306,461**	4,306,461
Contributed surplus	**4,896,161**	4,896,161
	9,202,622	9,202,622
Retained earnings (note 6)	**48,217,512**	38,589,741
	57,420,134	47,792,363
	$134,018,778	$122,431,113

Signed on behalf of the Board of Directors

J.D. Fowler, *Director*

D.J. Matthews, *Director*

(The accompanying notes are an integral part of this financial statement.)

CONSOLIDATED STATEMENT OF EARNINGS for the year ended December 31

	1985	1984
Sales	**$183,068,006**	$147,797,269
Cost of sales	**138,456,668**	115,990,296
Gross profit	**44,611,338**	31,806,973
Expenses		
Selling, general and administrative	**17,413,247**	15,192,974
Interest on long-term debt	**3,586,632**	4,206,201
Other interest expense	**1,126,810**	1,328,692
	22,126,689	20,727,867
Operating profit	**22,484,649**	11,079,106
Provision for income taxes (note 7)	**10,273,000**	5,198,000
Net earnings before extraordinary item	**12,211,649**	5,881,106
Extraordinary item	**—**	429,100
Net earnings for the year	**$ 12,211,649**	$ 6,310,206
Net earnings per share before extraordinary item	**$2.84**	$1.37
Net earnings per share	**$2.84**	$1.47

The 1984 data have been restated to conform to the presentation for 1985.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS for the year ended December 31

	1985	1984
Retained earnings — beginning of year	**$38,589,741**	$34,432,765
Net earnings for the year	**12,211,649**	6,310,206
	50,801,390	40,742,971
Dividends	**2,583,878**	2,153,230
Retained earnings — end of year	**$48,217,512**	$38,589,741

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31

	1985	1984
Cash provided (used)		
Operations		
Net earnings before extraordinary item	**$12,211,649**	$ 5,881,106
Non-cash items included in the determination of net earnings		
Depreciation, depletion and amortization	**6,515,646**	6,351,119
Deferred income taxes	**626,000**	2,097,523
Other	**(315,877)**	(153,073)
	19,037,418	14,176,675
Increase in operating working capital	**(5,252,340)**	(4,041,152)
Funds provided from current operations	**13,785,078**	10,135,523
Dividends paid	**(2,583,878)**	(2,153,230)
Extraordinary item	**—**	429,100
Net cash flow from operations	**11,201,200**	8,411,393
Financing activities		
Long-term debt issued	**675,000**	450,000
Long-term debt repaid	**(3,255,138)**	(2,987,596)
	(2,580,138)	(2,537,596)
Investing activities		
Fixed assets purchased	**(8,474,644)**	(4,631,473)
Long-term investments	**(100,000)**	(2,200,000)
	(8,574,644)	(6,831,473)
Decrease (increase) in bank indebtedness	**$ 46,418**	$ (957,676)

(The accompanying notes are an integral part of this financial statement.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended December 31,1985

1. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of Lake Ontario Cement Limited and all subsidiary companies. The operations and earnings of businesses acquired are consolidated with those of the Corporation from the dates of acquisition, using the purchase method. The equity method of accounting is used to record long-term investments. Under the equity method the original cost of the shares is adjusted for the Corporation's share of earnings or losses less dividends received. Income from investments for the year ended December 31, 1985 was not material.

(b) Foreign currency translation

The Corporation's United States subsidiaries are considered to be integrated and therefore the Corporation applies the temporal method of accounting for the translation of foreign currency amounts into Canadian dollars. Under this method, current assets (except inventories), current liabilities and long-term debt are translated at the year-end currency exchange rate. Other assets, liabilities, sales and expenses are translated at the average rate of exchange for the month when they were acquired or incurred. Unrealized exchange gains and losses on translation of long-term debt are deferred and amortized on a straight-line basis over the remaining repayment periods; other gains or losses are reflected in the statement of earnings for the year.

(c) Inventories

(i) Finished and semi-processed products are stated at the lower of average cost and net realizable value. Cost includes attributable direct costs and overheads other than depreciation.

(ii) Raw materials, fuel supplies and maintenance and repair parts are stated at the lower of cost (generally average cost) and replacement cost.

(d) Depreciation

Assets are depreciated over their estimated useful lives, using the straight-line method, with the rate adjusted for certain categories in accordance with established criteria to reflect variations from normal utilization.

The rates of depreciation used are:

Land improvements	5% to 10%
Buildings and structures	$2\frac{1}{2}$% to 10%
Machinery and equipment	5% to 10%
Vehicles and mobile equipment	10% to 20%
Marine transportation equipment	$6\frac{2}{3}$%

Depletion of mineral properties is recorded on a unit of production basis using estimated reserves.

2. Acquisition of Businesses

During 1985, the Corporation purchased the fixed and certain other assets of three businesses consisting of four ready-mixed concrete plants, one block plant and two sand and gravel operations and invested in a joint venture to manufacture chemicals for the construction industry. The aggregate purchase price of $2,869,182 comprised cash of $2,194,182 from bank borrowings and the issue of notes payable for $675,000.

3. Inventories

Inventories consist of:	**1985**	1984
Finished and semi-processed products	**$14,499,958**	$13,367,948
Raw materials and fuel supplies	**8,300,295**	5,756,293
Maintenance and repair parts	**5,333,947**	5,643,969
	$28,134,200	$24,768,210

4. Fixed assets

(a) Fixed assets consist of:

	1985			1984
	Cost	Accumulated depreciation and depletion	Net	Net
Land and land improvements	$ 8,286,982	$ 1,138,305	$ 7,148,677	$ 7,105,910
Mineral properties	3,127,802	845,247	2,282,555	2,014,561
Buildings and structures	22,395,489	10,560,074	11,835,415	12,026,249
Machinery and equipment	73,011,169	43,016,420	29,994,749	30,334,231
Vehicles and mobile equipment	17,934,600	10,459,954	7,474,646	4,579,786
Marine transportation equipment	8,887,635	1,321,120	7,566,515	8,010,348
Leased equipment	—	—	—	144,008
	$133,643,677	$67,341,120	$66,302,557	$64,215,093

(b) Included in the cost of fixed assets at December 31, 1985 are fully depreciated assets with an original cost of $17,682,081.

5. Long-term debt

Long-term debt consists of:

	1985	1984
9.75% debenture due 1986 - 1994	$ 7,760,000	$ 8,620,000
Term bank loans at optional rates of interest, based on Canadian prime or banker's acceptances, U.S. prime or Eurodollar rates:		
— Due 1986-1991 — effective rate at December 31, 1985 — 10.06%	5,500,000	6,500,000
— Due 1992 — effective rate at December 31, 1985 — 10.45%	15,000,000	15,000,000
Demand bank loan at Canadian prime interest rate with repayments scheduled monthly 1986-1987	1,137,000	1,881,000
Term bank loan due 1990, with the interest rate based on U.S. prime or Eurodollar rates. Effective rate at December 31, 1985 — 8.75% (U.S. $2,000,000)	2,545,694	2,417,228
Miscellaneous mortgages and notes due 1986-1990, with average interest rates of approximately 9.00%	1,229,011	1,034,107
Capital portion of lease obligations	—	171,042
	33,171,705	35,623,377
Less: Current portion	2,943,359	2,999,481
	$30,228,346	$32,623,896

The aggregate repayments of principal required to meet debt obligations in each of the next five years are as follows:

1986	$2,943,359
1987	2,769,986
1988	1,988,249
1989	1,991,518
1990	4,515,859

The debenture is secured by a first mortgage on the manufacturing facility in Picton, by a floating charge on substantially all other property, plant and equipment of the Corporation and by a pledge of the shares of U.S. subsidiary companies. The floating charge ranks after the first mortgage on the Corporation's marine transportation equipment. The debenture is payable in annual instalments of $860,000.

The $15,000,000 term bank loan is unsecured, but the Corporation has undertaken to provide the lender with security ranking pari passu to any future security that may be given to any other lender, other than for indebtedness incurred to acquire property or equipment. The principal amount is repayable in full at the end of the term or alternatively, at the option of the Corporation, in a series of scheduled amounts over the final six years of the loan. The Corporation has committed to semi-annual payments of interest through June, 1990 at 11.6% in exchange for semi-annual receipts of the interest calculated at the 90 day banker's acceptance rate on $5,000,000. This interest rate swap serves to offset fluctuations in the floating rates to be paid by the Corporation on $5,000,000 of the $15,000,000 term bank loan.

A first mortgage on the Corporation's marine transportation equipment has been given as security for the $5,500,000 term bank loan. The loan is repayable in semi-annual instalments of $500,000.

Both the debenture and the term bank loans contain a number of covenant conditions imposing maintenance of minimum levels of equity and working capital and limiting the amount of debt the Corporation may assume. In addition, the debenture agreement allows the payment of dividends up to 50% of post-1973 consolidated net income, provided that consolidated net tangible assets are not reduced below a specified level.

6. Deferred income taxes

The total deferred income taxes to December 31, 1985 amount to $18,998,000 of which $4,122,000 is not recorded in the accounts as a reduction in retained earnings. Until December 31, 1967, deferred income taxes were reported by note to the financial statements. On January 1, 1968, the Corporation changed its method and, from that date, has recorded subsequent deferred income taxes in the accounts.

7. Income taxes

The Corporation's effective income tax rate is made up as follows:	**1985**	1984
Combined basic federal and provincial income tax rates (including the corporate surtax)	**51.3%**	51.0%
Manufacturing and processing profits deduction	**(6.6)**	(6.8)
Inventory allowance	**(0.6)**	(2.0)
Investment tax credits	**—**	(1.4)
Items not subject to tax	**(1.0)**	1.5
Other	**2.2**	4.1
Tax rate applicable to Canadian operations	**45.3**	46.4
Effect of foreign income tax rates	**0.4**	0.5
Tax rate on earnings before extraordinary item	**45.7%**	46.9%

8. Share capital

The Corporation is authorized to issue an unlimited number of common and preferred shares without nominal or par value. At December 31, 1985, 4,306,461 fully paid common shares only were issued and outstanding.

9. Commitments

The Corporation has entered into a number of lease agreements, mainly for property. The future minimum lease payments under operating leases that have terms in excess of one year as at December 31, 1985 are as follows:

	Operating leases
1986	$1,418,000
1987	1,253,000
1988	854,000
1989	701,000
1990	445,000
Subsequent	562,000
Total minimum lease payments	$5,233,000

10. Pension plans

The Corporation has a number of employee retirement pension plans covering substantially all employees. Current service pension costs amounting to $683,487 in 1985 ($718,949 in 1984) were charged against earnings and funded based upon the recommendations of independent consulting actuaries. Based on the December 31, 1984 consultants' reports, an actuarial unfunded liability in respect of past service amounting to approximately $1.5 million is being amortized over varying periods up to ten years.

11. Subsequent event

On January 8, 1986, the Corporation signed a Share Purchase Agreement to acquire 100% of the outstanding common stock of Universal Concrete Products, Inc., a company incorporated and operating in the United States, for a purchase price of $9,486,000 U.S. The company has 12 operating plants located in six states producing a wide range of concrete pipe and related products and prestressed beams for bridge construction. The acquisition will be accounted for using the purchase method with the results of operations being included in the Corporation's results effective from the closing date, scheduled for January 29, 1986. The purchase price of $9,486,000 U.S. will be financed by additional bank borrowings of $7,540,000 U.S. and by the issue of notes of $1,946,000 U.S., bearing interest at 9% per annum and due in two instalments on January 29, 1987 and 1988. Estimates, based on unaudited financial statements and preliminary external appraisals, indicate that working capital and fixed assets to be acquired approximate $16 million U.S. and long-term liabilities to be assumed approximate $6.5 million U.S. For accounting purposes no goodwill will result from this transaction. The sales for 1984 and 1985 (unaudited) were $27 million U.S. and $30 million U.S. respectively.

12. Segmented information

The Corporation operates in what is considered to be a single industry, namely cement and concrete products. Its products are sold in a limited regional geographic area adjacent to the Great Lakes.

In the following geographic analysis data, Canadian information relates to manufacturing and distribution operations for cement and concrete products. United States information relates only to the secondary grinding and distribution of cement. The profitability of the two geographic segments is affected by the different markets served and the transfer prices established to handle the significant movement of product between the Corporation's Canadian and United States facilities. Management cautions that these figures should not be regarded as an absolute indication of the comparative profitability of the markets in which the Corporation operates.

Geographic analysis for the year ended December 31

	1985	1984
Sale of products to outside customers:		
Canada	**$127,522,891**	$103,425,313
United States	**55,545,115**	44,371,956
Inter-area sales by:		
Canada	**52,163,368**	42,761,769
United States	**313,710**	130,947
	235,545,084	190,689,985
Elimination of inter-area sales	**52,477,078**	42,892,716
Total sales per consolidated statement of earnings	**$183,068,006**	$147,797,269
Contributions to earnings from:		
Canadian operations	**$ 17,348,866**	$ 8,601,398
United States operations	**5,135,783**	2,477,708
	22,484,649	11,079,106
Less: Provision for income taxes	**10,273,000**	5,198,000
Net earnings before extraordinary item	**$ 12,211,649**	$ 5,881,106
Identifiable assets analyzed by geographic area:		
Canada	**$117,323,050**	$105,774,621
United States	**16,695,728**	16,656,492
Total assets per consolidated balance sheet	**$134,018,778**	$122,431,113

The 1984 data have been restated to conform to the presentation for 1985.

TEN YEAR FINANCIAL SUMMARY (Unaudited)

Dollars in thousands, except amounts per share

Operating results	
Sales	
Cost of sales (3)	
Gross profit	
Selling, general and administrative expenses (3)	
Interest on long-term debt	
Other interest	
Operating profit	
Provision for income taxes (3)	
Net earnings before the following:	
Extraordinary items	
Net earnings for the year	
Balance Sheet	
Working capital	
Fixed assets — net	
Long-term debt	
Deferred income taxes (2)	
Shareholders' equity (2)	
Other information	
Funds provided from current operations	
Capital expenditures	
Depreciation, depletion and amortization	
Common share price range	
High	
Low	
Number of common shareholders	
Return on average shareholders' equity (1 & 2)	
Per common share	
Earnings (1)	
Funds provided from current operations	
Common dividends	
Shareholders' equity (2)	

Notes: (1) Before extraordinary items.

(2) After full provision for deferred income taxes – see notes to the consolidated financial statements.

(3) The data for prior years have been restated to conform to the presentation for 1985.

1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
$183,068	$147,797	$120,744	$102,509	$114,925	$89,346	$88,317	$78,364	$64,641	$54,845
138,456	115,990	99,211	82,440	90,146	70,192	69,536	64,363	53,217	44,865
44,612	31,807	21,533	20,069	24,779	19,154	18,781	14,001	11,424	9,980
17,413	15,193	12,481	12,580	11,212	7,831	7,359	6,310	5,494	4,753
3,587	4,206	3,828	4,000	2,772	2,148	2,299	2,277	2,023	1,615
1,127	1,329	834	1,950	2,757	843	326	362	637	1,001
22,217	20,728	17,143	18,530	16,741	10,822	9,984	8,949	8,154	7,369
22,485	11,079	4,390	1,539	8,038	8,332	8,797	5,052	3,270	2,611
10,273	5,198	1,927	805	3,329	3,475	3,854	1,902	1,262	1,126
12,212	5,881	2,463	734	4,709	4,857	4,943	3,150	2,008	1,485
	429				575	950			
$ 12,212	$ 6,310	$ 2,463	$ 734	$ 4,709	$ 5,432	$ 5,893	$ 3,150	$ 2,008	$ 1,485
$ 33,453	$ 28,098	$ 25,100	$ 24,926	$ 16,428	$18,667	$18,503	$16,836	$14,821	$ 6,909
66,303	64,215	65,559	61,542	58,987	49,263	49,265	48,546	49,126	48,817
30,228	32,624	34,837	30,624	18,975	15,274	17,784	20,245	21,338	15,239
18,998	18,372	16,309	16,640	15,817	14,589	14,467	14,168	14,168	13,146
$ 53,298	$ 43,670	$ 39,513	$ 39,203	$ 40,622	$38,067	$34,573	$30,166	$27,877	$26,730
$ 13,785	$ 10,136	$ 6,093	$ 8,778	$ (843)	$ 3,480	$ 4,895	$10,957	$ 3,628	$ 1,251
8,852	4,668	9,769	5,159	4,125	4,469	5,128	3,132	1,848	2,325
6,516	6,351	5,164	4,871	4,525	4,092	4,056	3,937	4,024	3,688
18.25	10.00	9.00	7.00	8.50	7.50	6.25	5.87	3.60	4.20
$ 9.13	$ 7.00	$ 6.25	$ 4.55	$ 5.75	$ 5.00	$ 4.85	$ 3.25	$ 3.05	$ 3.05
2,020	2,259	2,394	2,645	2,769	3,052	3,237	3,598	3,915	4,094
25.2%	14.1%	6.3%	1.8%	12.0%	13.3%	15.3%	10.9%	7.4%	5.6%
$ 2.84	$ 1.37	$ 0.57	$ 0.17	$ 1.09	$ 1.13	$ 1.15	$ 0.73	$ 0.47	$ 0.35
3.20	2.35	1.41	2.04	(0.20)	0.81	1.14	2.55	0.84	0.29
0.60	0.50	0.50	0.50	0.50	0.45	0.35	0.20	0.20	0.20
$ 12.38	$ 10.14	$ 9.17	$ 9.10	$ 9.43	$ 8.84	$ 8.03	$ 7.01	$ 6.48	$ 6.21

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

Rudolph P. Bratty, Q.C.
Toronto, Ontario
Partner, Bratty and Partners

Edward P. Curtis, Jr.
Rochester, New York
President, Genesee Public Affairs Inc.

John D. Fowler
Toronto, Ontario
President and Chief Operating Officer, Denison Mines Limited

Richard H. Grimm
Toronto, Ontario
Director of Professional Tournaments, Royal Canadian Golf Association

G. Ernest Jackson
Toronto, Ontario
Senior Vice-President, Reed Stenhouse Limited

Donald J. Matthews
London, Ontario
Chairman, Matthews Group Limited

E. Bruce McConkey
Toronto, Ontario
Vice-Chairman, Denison Mines Limited

John A. Mullin, Q.C.
Toronto, Ontario
Partner, Fraser & Beatty

Charles D. Parmelee
Toronto, Ontario
President and Chief Operating Officer, Roman Corporation Limited

Franklin Rittmueller
Frankenmuth, Michigan
Business and Financial Consultant

Stephen B. Roman, K.C.S.G., LL.D.
Toronto, Ontario
Chairman and Chief Executive Officer, Denison Mines Limited

Denis R.T. White
Toronto, Ontario
Senior Vice-President, Corporate Development, Lake Ontario Cement Limited

OFFICERS

Stephen B. Roman, K.C.S.G., LL.D.
Chairman of the Board

John D. Fowler
Vice-Chairman of the Board

Joseph S. Pal
President and Chief Executive Officer, President, The Cement Group

Denis R.T. White
Senior Vice-President, Corporate Development

R. John Anderson
Vice-President, Controller and Treasurer

J. Scott Cowan
Secretary and General Counsel

Ken Bruce
President, The Pipe Group

Gordon G. Weeks
President, The Building Products Group

John A. Clarke
Vice-President, Cement Manufacturing

HEAD OFFICE

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Canada M5B 1J6
(416) 977-0611
Telex: 06-218738

AUDITORS

Coopers & Lybrand,
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada,
88 University Avenue, Suite 600
Toronto, Ontario M5J 1T8

STOCK LISTING

Toronto Stock Exchange
Stock Symbol "LOP"

ANNUAL MEETING

The Annual Meeting of the shareholders of Lake Ontario Cement Limited will be held in the Upper Canada Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario on Tuesday, February 11, 1986 at 11:00 a.m. (E.S.T.)

LAKE ONTARIO CEMENT LIMITED OPERATING GROUPS

THE CEMENT GROUP

2 Carlton Street,
Toronto, Ontario M5B 1J6
(416) 977-0611

J.S. Pal, *President*
J.A. Clarke, *Vice-President, Cement Manufacturing*
M.E. Doran, *Vice-President, Marketing*

Lake Ontario Cement
Canadian Sales Office:
2 Carlton Street, Toronto, Ontario
M5B 1J6
(416) 977-0611

R.K. Post, *General Sales Manager, Canada*

Cement Manufacturing Plant:
Highway 49, Picton, Ontario
K0K 2T0
(613) 476-3233

L.P. Finnegan, *Plant Manager*

Aetna Cement Corporation
Main Street,
Essexville, Michigan 48732
(517) 894-4581

K.L. Neering, *Vice-President, Sales and Marketing*
L.D. Van Sumeren, *Controller*
A.M. Walraven, *Plant Manager*

Rochester Portland Cement Corp.
361 Boxart Street,
Rochester, New York 14612
(716) 663-7272

H.W. Ingmire, *Vice-President, Sales*

THE BUILDING PRODUCTS GROUP

2 Carlton Street,
Toronto, Ontario M5B 1J6
(416) 977-0611

G.G. Weeks, *President*
H.A. Yellenik, *Vice-President, Operations*
S.W. Knott, *Vice-President, Operations Analysis*

Premier Concrete — Western Ontario Region
1625 Shawson Drive,
Mississauga, Ontario L4W 1T7
(416) 678-9540

A.S. Frayne, *General Manager*

Premier Concrete — Eastern Ontario Region
949 Wilson Avenue,
Downsview, Ontario M3K 1G2
(416) 633-2180

V.F. Butler, *General Manager*

Primeau Argo
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R.A. Grimm, *Sales Manager*

KVN Concrete
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V.F. Butler, *General Manager*

Maitland Concrete
280 Josephine Street,
Wingham, Ontario N0G 2W0
(519) 357-2721

J.R. Kaufman, *Secretary-Treasurer*
A.R. McCall, *General Manager*

JOINT INVESTMENT COMPANIES

Euclid Chemical Canada Inc.
2 Carlton Street,
Toronto, Ontario M5B 1J6
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G.G. Weeks, *President*
G.R. Wilson, *General Manager*

United Aggregates Ltd.
35 Van Kirk Drive,
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(416) 454-4200

B.F.Burkart, *President*

THE PIPE GROUP

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K. Bruce, *President*

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245 Strasburg Road,
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R.S. Wood, *Vice-President and General Manager, Ontario*

Highway 31,
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(613) 821-1291

R.H. Sachs, *Area Manager, Ottawa*

Vibrapipe Ltée
648 Boulevard Labelle,
Blainville, Quebec J7C 2J2
(514) 430-7650

H.D. Daigle, *General Manager, Quebec*

Duracon
1850 Britannia Road East,
Mississauga, Ontario L4W 1J3
(416) 677-1600

A.P. Greer, *Vice-President and General Manager*

Utility Vault
Puslinch Sideroad 25,
Guelph, Ontario N1H 6H9
(519) 836-8250

R.S. Wood, *Vice-President and General Manager*

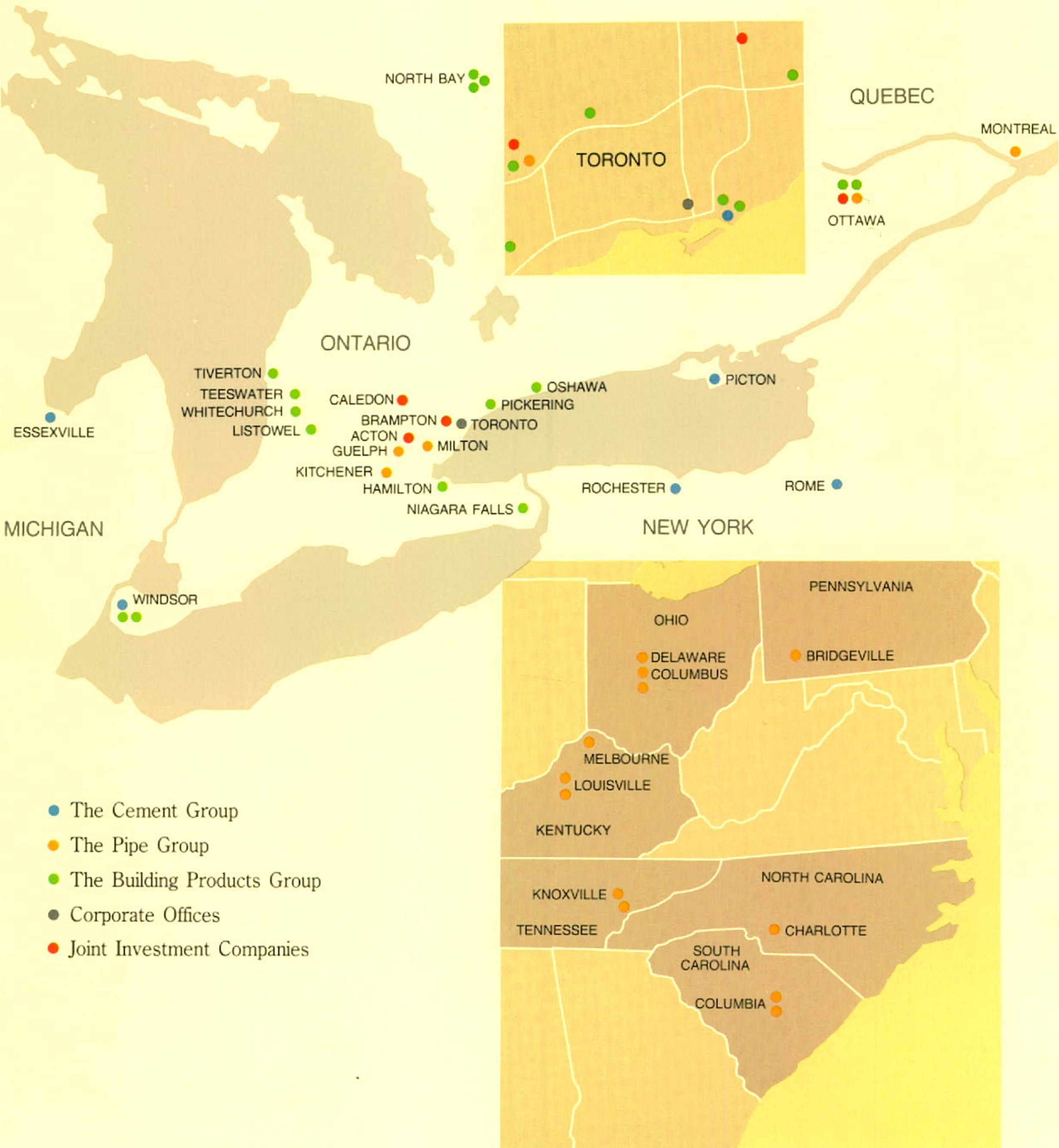
Soil Protection Systems Inc.
50 Steeles Avenue West,
Suite No. 20,
Milton, Ontario L9T 4W9
(416) 878-4135

J.R. Coome, *General Manager*

LAKE ONTARIO CEMENT LIMITED
2 Carlton Street,
Toronto, Ontario
Canada M5B 1J6

Lake Ontario Cement Limited is the only Canadian-controlled public cement company. Through its three major operating groups, Cement, Pipe and Building Products, and its joint investment companies, the Corporation operates 41 facilities in Ontario, Quebec, Michigan and New York State.

Denison Mines Limited, a major Canadian resource company, holds approximately 54% of the outstanding shares of the Corporation.



The acquisition of Universal Concrete Products, Inc. will provide a major extension to the current market area served by the Corporation. Universal Concrete operates 12 manufacturing facilities in Ohio, Pennsylvania, Kentucky, Tennessee, North Carolina and South Carolina.

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